



**CUSTOMS ACT 1901 - PART XVB**

# **FINAL REPORT**

## **NO. 223**

**DUMPING OF HOT ROLLED STRUCTURAL STEEL SECTIONS  
EXPORTED FROM JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

**31 October 2014**

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

# CONTENTS

<b>CONTENTS.....</b>	<b>2</b>
<b>ABBREVIATIONS.....</b>	<b>4</b>
<b>1 SUMMARY AND RECOMMENDATIONS .....</b>	<b>6</b>
1.1 RECOMMENDATION .....	6
1.2 APPLICATION OF LAW TO FACTS .....	6
1.3 FINDINGS AND CONCLUSIONS .....	8
<b>2 BACKGROUND.....</b>	<b>11</b>
2.1 INITIATION .....	11
2.2 PREVIOUS INVESTIGATIONS.....	11
2.3 PRELIMINARY AFFIRMATIVE DETERMINATION 223 .....	12
2.4 STATEMENT OF ESSENTIAL FACTS 223 .....	12
2.5 TERMINATION 223 .....	13
2.6 REPORT 223 .....	13
<b>3 THE GOODS AND LIKE GOODS.....</b>	<b>15</b>
3.1 FINDINGS.....	15
3.2 LEGISLATIVE FRAMEWORK .....	15
3.3 THE GOODS .....	15
3.4 TARIFF CLASSIFICATION.....	16
3.5 TARIFF CONCESSION ORDERS.....	17
3.6 STANDARDS.....	17
3.7 RESPONSES TO SEF 223.....	18
3.8 THE COMMISSION'S ASSESSMENT .....	18
<b>4 THE AUSTRALIAN INDUSTRY .....</b>	<b>20</b>
4.1 FINDING .....	20
4.2 AUSTRALIAN INDUSTRY .....	20
4.3 LEGISLATIVE FRAMEWORK .....	21
4.4 PRODUCTION PROCESS .....	21
4.5 THE COMMISSION'S ASSESSMENT .....	22
<b>5 AUSTRALIAN MARKET .....</b>	<b>23</b>
5.1 FINDINGS.....	23
5.2 MARKET SEGMENTATION AND END USE .....	23
5.3 MARKET DISTRIBUTION .....	23
5.4 DEMAND VARIABILITY .....	24
5.5 MARKET SIZE .....	24
5.6 IMPORTERS .....	25
5.7 SUBSTITUTABLE PRODUCTS.....	26
<b>6 LIKE GOODS (EXPORTERS' DOMESTIC MARKETS) AND SUBSET OF GOODS FOR NORMAL VALUE.....</b>	<b>27</b>
6.1 INTRODUCTION .....	27
6.2 FINDINGS AT SEF 223 .....	27
6.3 SUBMISSIONS TO SEF 223 .....	28
6.4 THE COMMISSION'S ASSESSMENT .....	30
<b>7 DUMPING INVESTIGATION.....</b>	<b>36</b>
7.1 FINDINGS.....	36
7.2 INTRODUCTION .....	36
7.3 SUBMISSIONS TO SEF 223 .....	39
7.4 JAPAN .....	41

## PUBLIC RECORD

7.5	KOREA .....	43
7.6	TAIWAN .....	44
7.7	THAILAND .....	48
7.8	UNCOOPERATIVE EXPORTERS .....	61
7.9	VOLUME OF DUMPED EXPORTS .....	62
<b>8</b>	<b>ECONOMIC CONDITION OF THE INDUSTRY .....</b>	<b>63</b>
8.1	FINDINGS .....	63
8.2	INTRODUCTION .....	63
8.3	AUSTRALIAN INDUSTRY CLAIMS .....	63
8.4	COMMENCEMENT OF INJURY, AND ANALYSIS PERIOD .....	63
8.5	VOLUME EFFECTS .....	63
8.6	PRICE EFFECTS .....	65
8.7	PROFIT EFFECTS .....	69
8.8	OTHER ECONOMIC FACTORS .....	69
8.9	SUBMISSIONS TO SEF 223 .....	70
8.10	CONCLUSION .....	71
<b>9</b>	<b>HAS DUMPING CAUSED MATERIAL INJURY? .....</b>	<b>72</b>
9.1	FINDING .....	72
9.2	INTRODUCTION .....	72
9.3	DUMPING .....	72
9.4	CUMULATION OF INJURY .....	72
9.5	PRICE EFFECTS .....	73
9.6	PROFIT EFFECTS .....	76
9.7	SUMMARY OF MAJOR INJURY INDICATORS .....	76
9.8	OTHER INJURY FACTORS .....	76
9.9	INJURY CAUSED BY FACTORS OTHER THAN DUMPING .....	76
9.10	THE COMMISSION'S ASSESSMENT .....	80
9.11	SUBMISSIONS TO SEF 223 .....	81
9.12	CONCLUSION .....	82
<b>10</b>	<b>WILL DUMPING AND MATERIAL INJURY CONTINUE? .....</b>	<b>83</b>
10.1	FINDINGS .....	83
10.2	THE COMMISSION'S ASSESSMENT .....	83
<b>11</b>	<b>NON-INJURIOUS PRICE .....</b>	<b>86</b>
11.1	FINDINGS .....	86
11.2	INTRODUCTION .....	86
11.3	AUSTRALIAN INDUSTRY .....	86
11.4	THE COMMISSION'S ASSESSMENT .....	86
<b>12</b>	<b>ANTI-DUMPING MEASURES .....</b>	<b>88</b>
12.1	DISCUSSION .....	88
12.2	SUBMISSIONS TO SEF 223 .....	88
12.3	THE COMMISSION'S ASSESSMENT .....	89
<b>13</b>	<b>RECOMMENDATIONS .....</b>	<b>91</b>
<b>14</b>	<b>APPENDICES .....</b>	<b>93</b>
<b>15</b>	<b>NON-CONFIDENTIAL APPENDIX 1 .....</b>	<b>94</b>
<b>16</b>	<b>NON-CONFIDENTIAL APPENDIX 2 .....</b>	<b>97</b>
<b>17</b>	<b>ON-CONFIDENTIAL APPENDIX 3 .....</b>	<b>99</b>
<b>18</b>	<b>NON CONFIDENTIAL APPENDIX 4 .....</b>	<b>100</b>

## PUBLIC RECORD

### ABBREVIATIONS

Abbreviation / short form	Full reference
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
DIFMER	Difference in merchandise adjustment
EAF	Electric arc furnaces
FAS	Free alongside
FOB	Free on board
Feng Hsin	Feng Hsin Iron and Steel Co Ltd
G300	HRS manufactured to Australian Standard AS/NZ 3679.1:2010 grade 300
HRS	Hot rolled structural steel sections
Hyundai Steel	Hyundai Steel Company
IPP	Import parity pricing
JFE Bars and Shapes	JFE Bars and Shapes Corporation
JIS	Japanese Industrial Standards
Korea	Republic of Korea
MPa	Mega Pascals
NIP	Non-injurious price
NSSMC	Nippon Steel and Sumitomo Metal Corporation
OneSteel	OneSteel Manufacturing Pty Ltd
PAD 223	Preliminary Affirmative Determination Report No. 223
PFC	Parallel flange channels
REP 223	Final Report 223
REQ	Response to the exporter questionnaire
SEF 223	Statement of Essential Facts No. 223
South Africa	the Republic of South Africa
SYS	Siam Yamato Steel Co Ltd
TCO	Tariff Concession Orders
TER 223	Termination Report 223
TS Steel	TS Steel Co Ltd
Thailand	The Kingdom of Thailand
the Act	<i>Customs Act 1901</i>
the Commission	Anti-Dumping Commission

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

## **PUBLIC RECORD**

the Commissioner	Commissioner of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Tung Ho Steel	Tung Ho Steel Enterprise Corporation
UB	Universal beam
UC	Universal column
UBP	Universal bearing pile
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 report (REP 223) sets out the Commissioner of the Anti-Dumping Commission's (the Commissioner) recommendation to the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) in relation to the investigation.<sup>1</sup>

### 1.1 Recommendation

The Commissioner recommends to the Parliamentary Secretary that a dumping duty notice be published in respect of HRS exported to Australia by all exporters from Japan, Korea, Taiwan (except by Feng Hsin Iron and Steel Co Ltd (Feng Hsin)) and Thailand.

If the Parliamentary Secretary accepts this recommendation, to give effect to the decision, the Parliamentary Secretary must sign the relevant notices and schedules, under s.269TG(1) and s.269TG(2) of the *Customs Act 1901* (the Act),<sup>2</sup> and s.8 of the *Customs Tariff (Anti-Dumping) Act 1975* (the Dumping Duty Act).

### 1.2 Application of law to facts

#### 1.2.1 Authority to make decision

Division 2 of Part XVB of 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.

#### 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.

The Commissioner was satisfied that the application was made in the prescribed manner by a person entitled to make the application.

---

<sup>1</sup> In December 2013, the Minister for Industry (the Minister) delegated responsibility for decision making on operational matters under Parts XVB and XVC of the *Customs Act 1901* (the Act) and other anti-dumping legislation to the Parliamentary Secretary.

<sup>2</sup> Unless stated otherwise, a reference to a part or section is a reference to a part or section of the *Customs Act 1901*.

### 1.2.3 Initiation of investigation

After examining the application, the Commissioner was satisfied that:

- there was an Australian industry in respect of like goods; and
- there appeared to be reasonable grounds for the publication of a dumping duty notice in respect of goods the subject of the application.

On 24 October 2013, the Commissioner decided not to reject the application and published a notice in *The Australian* newspaper of the initiation of this investigation. Anti-Dumping Notice (ADN) No. 2013/75 provides further details of the investigation and is available on the Anti-Dumping Commission (the Commission) website at [www.adcommission.gov.au](http://www.adcommission.gov.au)

In respect of the investigation:

- the investigation period<sup>3</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.

### 1.2.4 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 preliminary affirmative determination (PAD 223) 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 from Japan, Korea, Taiwan and Thailand that were entered for home consumption on or after 14 March 2014.

### 1.2.5 Statement of essential facts

On 17 July 2014, the Anti-Dumping Commission (the Commission) placed its Statement of Essential Facts No. 223 (SEF 223) on the Public Record, on which the Commissioner proposed to base his recommendation to the Parliamentary Secretary concerning the publication of a dumping duty notice in this investigation.

Interested parties were invited to lodge responses to SEF 223 by no later than 6 August 2014. Non-confidential versions of all submissions received are available on the Public Record for this investigation.

Further details of SEF 223 are contained in section 2.4 of this report.

---

<sup>3</sup> s.269T(1) refers.

### **1.2.6 Terminations**

After becoming satisfied that during the investigation period, Feng Hsin did not dump HRS, the Commissioner terminated the investigation insofar as it related to that exporter on 31 October 2014.

Termination Report No. 223 (TER 223) sets out the reasons for this termination and is available on the Public Record.

### **1.2.7 Report 223**

Within 155 days after initiation of an investigation, or such a longer period as the Minister allows, the Commissioner must give the Parliamentary Secretary a final report in respect of the goods the subject of the application (this report).

The Parliamentary Secretary under s.269ZHI of the Act extended the deadline for the publication of the Final Report for the investigation to 31 October 2014. ADN Numbers 2014/81 and 2014/98 were issued on 1 September 2014 and 1 October 2014 respectively notifying the Parliamentary Secretary's decision to twice extend the due date of the Final Report.

In formulating this report to the Parliamentary Secretary, the Commissioner has had regard to:

- the application concerned;
- any submissions concerning publication of the notice to which the Commissioner has had regard for the purpose of formulating SEF 223;
- SEF 223;
- any submission in response to SEF 223 received by the Commission within 20 days after the day that statement was placed on the Public Record;
- any submission in response to SEF 223 received by the Commission which do not affect the timely publication of REP 223; and
- any other matters considered relevant.<sup>4</sup>

## **1.3 Findings and conclusions**

The Commission has made the following findings and conclusions based on available information.

### **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, being OneSteel.

---

<sup>4</sup>s.269TEA(3)



## PUBLIC RECORD

### 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 7 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 which were not dumped; and
- the volume of dumped goods from Japan, Korea, Taiwan and Thailand and the dumping margins (other than for exports by Feng Hsin) were not negligible.

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

Country	Exporter / Manufacturer	Dumping margin
Japan	JFE Bars and Shapes Corporation	12.15%
	<i>Uncooperative exporters</i>	12.23%
Korea	Hyundai Steel Company	2.52%
	<i>Uncooperative exporters</i>	3.24%
Taiwan	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	18.28%
	<i>Uncooperative exporters</i>	19.48%

Table 1 - Dumping margins

### 1.3.5 Economic condition of the Australian industry (Chapter 8 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.

## **PUBLIC RECORD**

### **1.3.6 Has dumping caused material injury (Chapter 9 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) and Thailand.

### **1.3.7 Will dumping and material injury continue? (Chapter 10 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 11 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 12 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. The Commission recommends that the measures be in the form of ad valorem (i.e. a percentage of export price).

## 2 BACKGROUND

### 2.1 Initiation

On 26 August 2013, OneSteel lodged an application<sup>5</sup> 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 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 investigations

#### 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

---

<sup>5</sup> Under s.269TB of the Act

## PUBLIC RECORD

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. There are currently no dumping or countervailing duties applying to the goods exported to Australia.

## **2.3 Preliminary affirmative determination 223**

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 PAD 223 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.

## **2.4 Statement of essential facts 223**

The Commissioner must, within 110 days after the initiation of an investigation, or such longer period as the Minister 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 SEF 223, the Commissioner must have regard to the application concerned, any submissions concerning publication of the notice that are 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 SEF 223 for the investigation would be placed on the Public Record by 11 February 2014. However, the Commissioner was satisfied that the

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

## **PUBLIC RECORD**

prescribed 110 days to place SEF 223 on the Public Record for the investigation was likely to be insufficient and requested that the Parliamentary Secretary extend the publication timeframes on two occasions.

The Parliamentary Secretary under s.269ZHI extended the deadline for the publication of SEF 223 for the investigation to 17 July 2014. ADNs 2014/10 and 2014/40 were issued on 11 February 2014 and 12 May 2014 respectively notifying the Parliamentary Secretary's decision to twice extend the due date of the SEF.

Securities were amended on 17 July 2014 to reflect the revised dumping margins which ranged from 2.20% to 19.48%.

Interested parties were invited to make submissions to the Commission in response to SEF 223 within 20 days of SEF 223 being placed on the Public Record.

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

### **2.5 Termination 223**

After becoming satisfied that during the investigation period Feng Hsin did not dump HRS, the Commissioner terminated the investigation insofar as it related to that exporter on 31 October 2014.

TER 223 sets out the reasons for this termination and is available on the Public Record.

### **2.6 Report 223**

Within 155 days after initiation of an investigation, or such a longer period as the Minister allows, the Commissioner must give the Parliamentary Secretary a Final Report in respect of the goods the subject of the application (this report).

The Parliamentary Secretary under s.269ZHI of the Act extended the deadline for the publication of the Final Report for the investigation to 31 October 2014. ADNs 2014/81 and 2014/98 were issued on 1 September 2014 and 1 October 2014 respectively, notifying the Parliamentary Secretary's decision to twice extend the due date of the Final Report.

In formulating this report to the Parliamentary Secretary, the Commissioner has had regard to:

- the application concerned;
- any submissions concerning publication of the notice to which the Commissioner has had regard for the purpose of formulating SEF 223;
- SEF 223 itself;
- any submission in response to SEF 223 received by the Commission within 20 days after the day that statement was placed on the Public Record;
- any submission in response to SEF 223 received by the Commission which do not affect the timely publication of REP 223; and

## **PUBLIC RECORD**

- any other matters considered relevant<sup>6</sup>.

The Commission received numerous submissions in response to SEF 223 , which were taken into account in preparing REP 223. The submissions received are summarised in **Non-Confidential Appendix 2**.

---

<sup>6</sup> S.269TEA(3)

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND**

### 3 THE GOODS AND LIKE GOODS

#### 3.1 Findings

The Commission considers that locally produced HRS are like to the goods the subject of the application (the goods).

#### 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.<sup>7</sup>

In making this assessment, the Commissioner must firstly 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 measures to address 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:

- i. physical likeness;
- ii. commercial likeness;
- iii. functional likeness; and
- iv. production likeness.

#### 3.3 The goods

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;*
- *channels (U sections and C sections) of a height greater than 130mm and less than 400mm; and*

<sup>7</sup> The term like goods also refers to goods which are sold on the domestic market in the exporting country and those which may be exported to Australia in the future.

## PUBLIC RECORD

- *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);

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND THE KINGDOM OF THAILAND**



## PUBLIC RECORD

- 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>8</sup>

### 3.6 Standards

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

---

<sup>8</sup> Refer ACN 2010/18 – Review of Schedule 4 of the Customs Tariff Act 1995

## PUBLIC RECORD

OneSteel's standard HRS range is manufactured to the 300MPa yield strength required by AS/NZS 3679.1, and is branded as '300PLUS'®. OneSteel confirmed that its entire HRS range is manufactured to meet or 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 Responses to SEF 223

In response to SEF 223, Nippon Steel and Sumitomo Metal Corporation (NSSMC) submitted its concerns as to whether the GUC had been exported to Australia from Japan. In summary, and in support of its argument NSSMC made the following points in regards to the goods it exported to Australia:

- *NSSMC produced the goods for a single customer to meet that customer's specific project needs;*
- *the customer requested the goods be made to a specific steel standard; and*
- *NSSMC does not historically form a part of the Australian market supply chain.*<sup>9</sup>

As outlined in section 7.2.5, NSSMC was deemed to be an uncooperative exporter as defined under s.269T(1) of the Act. NSSMC were advised of the Commission's position in writing on 3 January 2014, with a copy of the letter published on the Public Record for this investigation.

NSSMC submitted that the goods it exported are dissimilar to the GUC, primarily due to the following factors:

- NSSMC's sales of exported HRS were classified to a specific international steel standard, noting the standard is not identical to the AS/NZS 3679.1; and
- its exported HRS has not been certified to AS/NZS 3679.1

The Commission has considered the available information before it relating to NSSMC exports of HRS to Australia and the description of the GUC outlined in section 3.3 of this report. The Commission finds that the goods exported by NSSMC fall within the description of the GUC, irrespective of the international standard governing the production and conditions of sale of the goods.

### 3.8 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;

---

<sup>9</sup> NSSMC submission dated 7 August 2014 (# 84 on the Public Record)

## **PUBLIC RECORD**

- *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
- *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 Finding**

The Commission has found that:

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

### **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 and 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.

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.

## PUBLIC RECORD

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.

## **PUBLIC RECORD**

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
- 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 Findings**

There is an Australian market for HRS, which the Commission estimated during the 2013 financial year was 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 and 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 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:

## PUBLIC RECORD

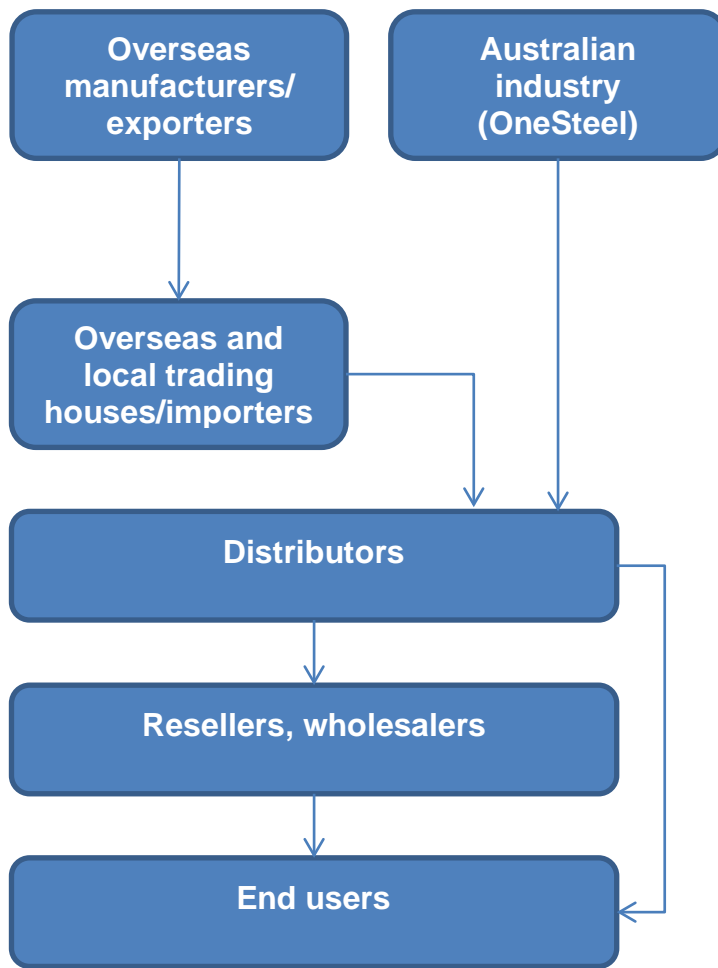


Figure 1 - HRS market distribution chain

### 5.4 Demand variability

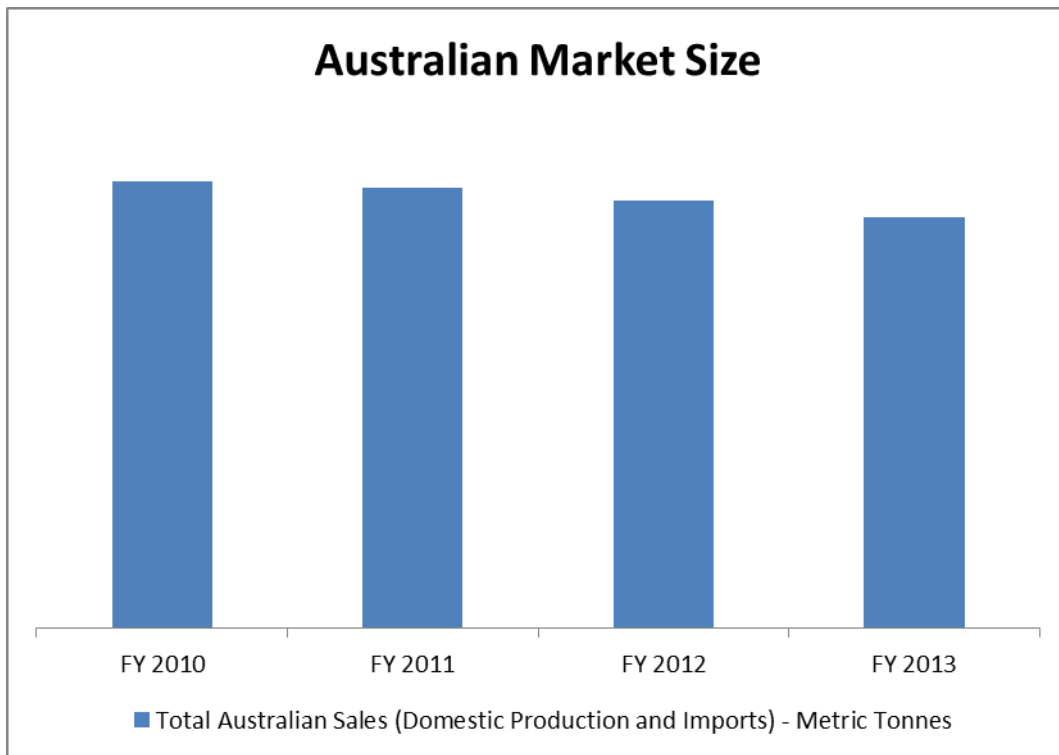
The main factors influencing demand for HRS are non-residential engineering and mining construction activity. Demand variability for HRS within the Australian market is also driven by seasonal fluctuation, in particular the traditional construction industry holiday period in December and January.

### 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. 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 four importers (identified below) who represent approximately 68% of total imports. The Commission subsequently prepared verification visit reports for the following importers:

- 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.

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND THE KINGDOM OF THAILAND**

## **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 Like goods (exporters' domestic markets) and subset of goods for normal value**

### **6.1 Introduction**

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

#### **6.1.1 Summary of issues**

In SEF 223, the Commission outlined:

- applicable steel grades and corresponding standards;<sup>10</sup>
- OneSteel's claims regarding like goods and models selected for normal value;
- claims by other interested parties regarding like goods and models selected for normal value; and
- its preliminary findings regarding like goods and models selected for normal value, summarising the approach on an exporter-by-exporter basis.

Primarily, OneSteel contended that all sales in the exporter's domestic market which are not of a steel grade of SM490 should be excluded from normal value calculations when assessing dumping margins. Conversely, some stakeholders argued that SS400 is the most appropriate grade sold on the domestic market of exporters from Japan, Korea, Taiwan and Thailand deemed suitable for normal value comparison purposes.<sup>11</sup>

This section of the report should be read in conjunction with SEF 223 and can be accessed on the Public Record. A brief summary of the key findings is set out in section 6.2 below.

### **6.2 Findings at SEF 223**

#### **6.2.1 Like goods**

The Commission's preliminary findings with respect to like goods are outlined generally in Chapter 6 of SEF 223, and more specifically, in section 6.3.1.2 of SEF 223. For the purpose of determining like goods in the exporters' domestic markets, the Commission found that all HRS sold by exporters are like goods in accordance with s.269T(1) of the Act.

The Commission's findings are supported by:

---

<sup>10</sup> Non-Confidential Appendix 3 – HRS steel sections grades and standards, and Non-Confidential Appendix 4 – SYS standards and grades

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

## PUBLIC RECORD

### Physical likeness

- Both HRS exported to Australia and those produced and sold in the exporters' domestic markets conform to AS/NZS 3679.1 or an international standard ; and
- Both are available as numerous different products, made up of various shapes and sizes.

### Functional likeness

- Both have identical or comparable end-uses, and are utilised in applications relating to commercial construction and engineering.

### Production likeness

- Both are manufactured in a similar manner.

## 6.2.2 Models used for normal value

The Commission's findings with respect to models used for normal values are outlined generally in Chapter 6 of SEF 223, and more specifically, in section 6.3.1.3 of SEF 223. For the purpose of determining a sufficiently similar subset of domestically sold goods for normal value purposes, the Commission conducted a model comparison on a case-by-case basis. The Commission notes the variety of product specifications relevant to different steel grades and standards, as set out in Non-Confidential Appendix 3 and Non-Confidential Appendix 4.

The Commission, in conducting model comparisons in this investigation, considered a range of model-matching factors, including:

- mechanical and chemical properties that are set out in the relevant standards;
- actual physical specifications of the goods;
- steel grades of HRS sold in the exporter's domestic market;
- production processes, in particular, whether goods were produced from the same semi-finished product, for example blooms; and
- cost and selling price information.

The Commission notes that additional model-matching criteria were applied, on an exporter-by-exporter basis, for example shapes and dimensions.

## 6.3 Submissions to SEF 223

### *OneSteel submissions*

In OneSteel's submission to SEF 223, dated 5 August 2014, it contended that *'for like goods purposes, the domestic models considered for Korea, Thailand and Taiwan to most closely align with the goods exported to Australia are incorrect.'*<sup>12</sup>

---

<sup>12</sup> OneSteel submission dated 5 August 2014 (# 82 on the Public Record)

## PUBLIC RECORD

OneSteel stated that:

*The Commission has preliminarily accepted (for the purposes of SEF 223 ) that unless it was able to identify that the exporter's costs for domestic grades (i.e. SS400) and the exported grades (i.e. G300) were different, no adjustment for the additional costs incurred in producing G300 would be applied. OneSteel contests that this approach is neither in accordance with the intention of the 'fair comparison' provisions of s.268TAC(8) nor does it provide a consistent or fair outcome for all exporters due to the varying internal costing systems between them.*

OneSteel argued that the Commission should adopt a two-stage approach for its determination of like goods, that is, it should firstly identify the goods most closely resembling the goods exported to Australia, and then focus on the observed price differences. In its submission, OneSteel summarised the evidence it has tendered to the Commission prior to SEF 223 to support the contention that grades SM490 (A,B and C), are the domestic grades that most closely resemble G300, the grade exported to Australia, including reference to the Commission's approach to like goods and model matching in *Trade Measures Report 79 – Review of Anti-Dumping Measures for HRS from Korea (Report 79)*.

OneSteel submitted that the Commission should make upward adjustments to normal values '*for the exporters (i.e. Tung Ho Steel, TS Steel Co Ltd, SYS and Hyundai Steel) for the price differences that actually exist between the domestic grades and the exported grades to permit a fair comparison of normal values and export prices.*'

OneSteel submitted an expert report that assessed the comparability of steel grades specified to JIS3101, JIS 3106 and JIS 3136 with steel grades specified to AS/NZ 3679.1.<sup>13</sup> Dr Stephen Hicks of the NZ Heavy Engineering Research Association Structural Systems provided independent expert advice regarding the significance of mechanical and chemical properties in structural engineering:

- Dr Hicks proffered that minimum elongation requirements under AS/NZS 3697.1 are important for the purposes of ensuring that steel structures "possess adequately ductility when loaded (i.e. they are not susceptible to brittle/sudden failure)". Yield stress is significant to the "design capacity of steel members to support the design loads"; and
- Dr Hicks also cited to a colleague's work, by Dr Michail Karpenko, that has considered weldability based on the chemical composition of HRS. Dr Hicks also cited the importance of weldability as an "indicator for expected mechanical properties of the heat affected zone (HAZ) of a welded joint".

Dr Hicks concluded that when both mechanical properties and chemical composition are considered, the products closest to the steel grades to G300 (AS/NZ 3679.1) are grades SM490B and SM490C (JIS 3106) and SN490B and SN490C (JIS 3136).<sup>14</sup>

---

<sup>13</sup> OneSteel submission dated 30 June 2014 (# 70 on the Public Record)

<sup>14</sup> During the investigation, OneSteel has also referred to SM490A, SM490B and/or SM490C as being the most suitable grade of HRS for calculating normal values.

## PUBLIC RECORD

The Commission notes OneSteel's view that the normal values of three of the four main exporters are understated as a result of the Commission's selection of models for normal value calculations. OneSteel allege that normal values are further understated on the basis that the theoretical and actual weight adjustments have not been made (except in the case of JFE Bars and Shapes). In its submission, OneSteel did not make any claims in relation to the normal values for JFE Bars and Shape. The Commission's approach to actual and theoretical weight is outlined in section 7.3.1 of this report.

### *SYS' submission*

SYS lodged a submission in response to SEF 223, dated 31 July 2014, in which it expressed its disagreement with the steel grades used to calculate its normal values. This issue is specific to SYS and is further discussed in section 7.7.2 of this report.

## **6.4 The Commission's assessment**

### **6.4.1 Introduction**

Following the publication of SEF 223, the Commission did not receive any submissions raising new issues with respect to like goods and models used for normal value. For the purposes of the Commission's assessment, the issues have been separately discussed under the following sub headings:

- like goods;
- models used for normal value;
- costs, in the context of like goods and the basis for adjusting normal values; and
- selling prices, in the context as the basis for adjusting normal values.

### **6.4.2 Like Goods**

In this case, and consistent with *Report 79*, all HRS produced and sold domestically by the exporters in the nominated countries, irrespective of steel grade, whilst not identical, have characteristics closely resembling those of the goods under consideration and therefore are like goods for the purposes of s.269T(1).

In this investigation, the Commission does not accept that like goods can be determined in the narrow context of one physical characteristic, that being standards. The Commission's view is that standards are one relevant physical characteristic of HRS, as part of a broader range of physical characteristics to consider when assessing physical likeness. In its determination of like goods for the purposes of s.269T(1), the Commission has established like goods with due consideration to all relevant characteristics of physical likeness, combined with other key attributes such as functional, commercial and production likeness.

### **6.4.3 Models used for normal value**

The Commission determined a comparable subset for calculating normal values should be derived on an exporter-by-exporter basis. It became evident to the Commission during exporter verifications that the circumstances of each exporter are varied in terms of the

## PUBLIC RECORD

HRS in each exporter's domestic market. This is highlighted by findings of the Commission that:

- not all steel grades are manufactured and sold across all domestic markets (for example SM490 grades);
- not all products have the same actual physical characteristics across different markets, nor are all the relevant standards universally identical;
- whilst goods satisfy the minimum requirements prescribed in the relevant standards, verified evidence demonstrates actual physical characteristics to which the products are produced can be materially higher; and
- exporters commonly produce versatile HRS capable of satisfying multiple standards at the semi-finished product level (for example, blooms suitable for rolling HRS to several standards)<sup>15</sup> and finished product level (for example, dual grade SS/SM400 in the Thai market)<sup>16</sup> across markets.

These findings support the Commission's decision to assess the comparable subset of goods for normal values on an exporter-by-exporter basis.

### *Report 79*

OneSteel submitted that the Commission, rather than consider models for normal values on an exporter-by-exporter basis, follow the findings outlined in *Report 79*. The Commission disagrees with this view, as the facts in this investigation differ from those contained in *Report 79*. The Commission as outlined above has decided to assess the comparable subset of goods for normal values on an exporter-by-exporter basis. In referencing specific criteria applied in *Report 79*, in terms of cost, selling price and specification comparison, the Commission has found that some of the data verified in this current case does not support the same conclusion, which therefore further reduces the applicability of the findings in *Report 79*.

### *Standards, expert opinion and physical specifications*

The Commission notes that no standard is directly comparable to AS/NZS 3679.1 standard for HRS exports of G300. The Commission observes that OneSteel's expert report is based on a test of 'closeness' in standards comparing minimum yield and tensile strengths and chemical specifications.

The Commission has considered OneSteel's submissions, including its expert report. The Commission observes that the report's scope is limited to a standards comparison. It does not consider the actual physical specifications of the products manufactured by each of the cooperating exporters and other evidence obtained by the Commission during this investigation.

The Commission agrees with OneSteel that standards governing the production of HRS across different domestic markets may be an influential factor in demonstrating physical comparability of the goods. In this investigation, the Commission obtained a variety of evidence, including the actual physical specifications of the products manufactured. In the circumstances, the Commission considers that in this investigation, actual physical

---

<sup>15</sup> Tung Ho Steel verification report (# 55 on the Public Record)

<sup>16</sup> SYS verification report (# 75 on the Public Record)

## PUBLIC RECORD

specifications of products are more determinative in establishing physical likeness for like goods and consequently normal values. Finally, in establishing comparability of goods during the investigation, the Commission has not been provided with any evidence that the actual end use of the HRS, across various industries (for example: commercial construction and engineering) is different between the domestic and export markets.

The Commission for each exporter, within the broader range of HRS, selected a comparable subset of domestically sold goods that were found sufficiently similar to the exported goods, which were included in normal value calculations. By comparing goods that share common characteristics, this may reduce the need to make due allowance adjustments. This includes adjustments for any differences in physical characteristics and quality.

The Commission examined a selection of test certificates, from several exporters. It was identified that when comparing the actual export sales of G300 to SM490 standards in the domestic market, that the export sales did not consistently comply with all of the prescribed requirements of the standards, including mechanical properties and chemical composition. On this basis, the Commission finds that SM490 grades may not be the most comparable goods to the goods under consideration.

To accept OneSteel's contention, that is, establishing normal values primarily guided by a comparison of standards would be to disregard the evidence obtained during the course of exporter verification in the form of mill certificates. These certificates contain evidence of mechanical properties and chemical composition of the goods which establishes the actual physical specifications to which the goods are produced and sold. These certificates were important in establishing whether the physical characteristics of the goods produced in the domestic market are sufficiently similar to those produced for export sale for normal value purposes.

Additionally, in circumstances where the exported goods and a subset of domestic goods are produced and sold from the same semi-finished products (for example, blooms), it would be unreasonable for the Commission to conclude that there would be a more appropriate subset of like goods in the domestic market for normal value than those produced from the same semi-finished products as the exported goods. This finding considers the physical similarities, the interchangeable nature of the goods, and the production likeness (including production costs), and in the Commission's view is a much stronger indicator than a mere comparison of minimum production standards.

### 6.4.4 Costs (like goods and adjustments)

OneSteel submitted that costs for the purpose of due allowance adjustments have '*peripheral relevance for the purpose of assessing normal value adjustments under s.269TAC(8)...[and] no relevance in the identification of like goods*'.<sup>17</sup> The Commission disagrees with this statement. Consistent with its policy outlined in the *Dumping and Subsidy Manual*, the Commission has made adjustments for physical characteristic differences to allow for a fair comparison between export price and normal value. These adjustments were made in circumstances where the differences could be quantified and supported by verifiable evidence, and the difference was shown to affect price comparability.

---

<sup>17</sup> OneSteel submission dated 3 July 2014 (# 72 on the Public Record)



## PUBLIC RECORD

The Commission has previously highlighted that adjustments made under s.269TAC(8) in the above circumstances are made ordinarily with reference to the cost of production differences. Furthermore, where the adjustments have been made to normal values, the adjustment has been made (as in the case of JFE Bars and Shapes, and Hyundai Steel), by applying the gross margin to the cost of production difference in order to estimate the market value of the difference. The Commission is satisfied that the use of observed cost difference is an appropriate basis on which to make adjustments for fair comparison purposes.

The Commission also views cost similarity as an indicator of like goods, which is consistent with the approach adopted by other international anti-dumping administrations. For example, in the US, for goods considered not identical, but similar in physical characteristics, a 'difference in merchandise adjustment' (DIFMER) can be applied to the normal value. However, in circumstances where the DIFMER exceeds 20% of the total cost of manufacture, the Department of Commerce will not compare those products on the basis that the products are too dissimilar to render a meaningful comparison.<sup>18</sup>

In addition to claiming that costs have no relevance in the identification of like goods, in its submission dated 5 August 2014, OneSteel stated that:

*...unless [the Commission] was able to identify that the exporter's costs for domestic grades (i.e. SS400) and the exported grades (i.e. G300) were different, no adjustment for the additional costs incurred in producing G300 would be applied. OneSteel contests that this approach is neither in accordance with the intention of the 'fair comparison' provisions of s.268TAC(8) nor does it provide a consistent or fair outcome for all exporters due to the varying internal costing systems between them.*

OneSteel has correctly identified that the Commission has made adjustments for physical characteristic differences where the evidence supports the adjustment, as outlined above. However, in the absence of any evidence to support an adjustment, consistent with the Commission's policy and legislative requirements, no cost-based adjustment can be considered.

OneSteel further submitted that:

*in the absence of sales of a closely resembling grade, a cost adjustment based on cost differences between the domestic like good and the exported good (e.g. SS400 and SM490 grades) [should be made].*

In reference to this claim, the Commission understands that this statement relates to a cost of production adjustment for differences between the two domestic grades. The Commission's approach to evaluating due allowance adjustments for fair comparison purposes, both in the context of upwards adjustments (for example, JFE Bars and Shapes and Hyundai Steel) and downwards adjustments (for example, SYS)<sup>19</sup> were based on a cost of production difference between the domestic grade and the exported grade, rather than two domestic grades as proposed by OneSteel. The Commission

---

<sup>18</sup> US Department of Commerce – Enforcement and Compliance Anti-Dumping manual, Chapter 8

<sup>19</sup> The Commission's findings on SYS' claim for a downwards adjustment to normal value is detailed in section 7.7.2 of this report.

## PUBLIC RECORD

considers that applying a cost of production adjustment based on differences in physical characteristics between two domestically produced grades does not result in a fair comparison between normal value and export price.

### 6.4.5 Selling price adjustments

During the investigation, the Commission has established through verification of cooperating exporters that:

- SM490 grades are not sold in all of the exporters' domestic markets, however where sold, the volume is not significant in relative terms to other steel grades;
- SM490 grades are sold at a premium price compared to the other HRS grades sold on the exporters' domestic markets;
- irrespective of whether the determinant weighting in establishing physical likeness is based on a comparison of standards or the actual physical characteristics of the goods produced, domestic SM490 grades are of a higher standard than G300 (e.g. SM490 minimum standard for yield strength is 325Mpa, while G300 minimum standard for yield strength is 300Mpa, and evidence of actual physical specifications confirms a higher yield strength).

As previously outlined, whilst adjustments for physical characteristic differences are ordinarily made using cost, the Commission may make adjustments for physical characteristic differences on the basis of selling price difference.

In its submission dated 5 August 2014, OneSteel stated that adjustments be made:

*for the exporters (i.e. Tung Ho Steel, TS Steel Co Ltd, SYS and Hyundai Steel) for the price differences that actually exist between the domestic grades and the exported grades to permit a fair comparison of normal values and export prices.*

The Commission disagrees with OneSteel that an upwards adjustment to normal values should be based on a selling price differential between prices realised in two separate markets. The Commission considers that it would be unreasonable to use the selling price differential between the domestic grade/s selected for the respective exporters for normal value purposes and SM490 grades (as proposed by OneSteel) and subsequently apply this uplift to obtain a fair comparison.

As outlined above, SM490 grades are produced and sold in low volumes (and in some cases not at all by some cooperating exporters), are of a higher comparative standard than G300 and achieve a premium price in the exporter's domestic market. The Commission considers that it is reasonable to conclude that the market price differential between domestic steel grades is governed by a range of factors. It is not possible for the Commission to distinguish the impact on selling price of physical characteristics from other market influences which affect price to adjust normal value. The Commission has however made other adjustments where appropriate to account for differences in physical characteristics.

#### 6.4.6 Conclusion

Following the publication of SEF 223, the Commission has had regard to the submissions to SEF 223 and has considered its position on these complex issues and determined the following:

1. All HRS sold by exporters in their respective domestic markets in Japan, Korea, Taiwan and Thailand are like goods in accordance with s.269T(1) of the Act; and
2. In determining a sufficiently similar subset of domestically sold goods for normal value purposes, the Commission has considered a number of model-matching factors, including:
  - mechanical and chemical properties that are set out in the relevant standards;
  - actual physical specifications of the goods;
  - steel grades of HRS sold in the exporter's domestic market;
  - production processes, in particular, whether goods were produced from the same semi-finished product, for example blooms; and
  - cost and selling price information.

The Commission considers that standards governing the production of HRS may be an influential factor in demonstrating physical comparability of the goods. Given the different circumstances in each exporter's domestic production and sales, the Commission took into account a number of model-matching factors and considered them on an exporter-by-exporter basis. The Commission is of the view that in this investigation, actual physical specifications of products are more determinative in establishing physical likeness for like goods and consequently, normal values.

The Commission has not revised its approach from that in SEF 223, with exception of model comparability as it relates specifically to SYS.<sup>20</sup>

---

<sup>20</sup> Discussed in further detail in section 7.7.2 of this report.

## 7 DUMPING INVESTIGATION

### 7.1 Findings

The Commission has found that, with the exception of exports from one Taiwanese 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 found 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 which were not dumped; and
- the volume of dumped goods from Japan, Korea, Taiwan and Thailand and the dumping margins were not negligible.

Dumping margins for HRS are tabulated below:

Country	Exporter / Manufacturer	Visited	Dumping margin
Japan	JFE Bars and Shapes Corporation	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	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	18.28%
	<i>Uncooperative exporters</i>	No	19.48%

Table 3 – Dumping margins

### 7.2 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 s.269TAB and s.269TAC of the Act respectively.

## **PUBLIC RECORD**

This chapter explains the results of investigation by the Commission into whether HRS exported from Japan, Korea, Taiwan and Thailand during the investigation period was dumped.

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 (REQ).

The Commission received seven REQs which were assessed by the Commission as being substantially complete:

- JFE Bars and Shapes;
- SYS;
- Tung Ho Steel;
- Feng Hsin;
- TS Steel Co Ltd (TS Steel); and
- Hyundai Steel.

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 7.2.6 of this report.

For those exporters that provided substantially complete REQs, 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 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 were 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 REQ was not submitted. Similarly, the Commissioner 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 7.8 of this report.

### **7.2.1 Cooperating exporters**

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

The Commission undertook verification visits to the following three exporters:

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

### **7.2.3 Exporter whose data was verified remotely**

For this investigation, 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 (DFAT) advised that Thailand was affected by ongoing civil unrest and political tension.<sup>21</sup> Given DFAT's travel warning, the Commission conducted verification of SYS' data from its office in Melbourne, Australia.

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

The Commission examined the data contained in REQs submitted by a further two cooperating exporters. Verification visits were not undertaken in relation to the following exporters due to the relative low volume of their imports during the investigation period:

- TS Steel; and
- Feng Hsin.

The Commission analysed the data submitted by these entities for completeness, relevance and accuracy. The Commission found the data to be verifiable and without material deficiency. This data was used to calculate dumping margins.

On 31 October 2014, the Commissioner, being satisfied that the dumping margins for Feng Hsin were negligible, terminated the investigation in so far as it relates to this exporter. Termination Report No. 223 is available on the Public Record.

### **7.2.5 Uncooperative exporters**

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

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:

- NSSMC, from Japan; and
- Hyosung Corporation, from Korea.

---

<sup>21</sup> Refer to <http://www.smarttraveller.gov.au/zw-cgi/view/Advice/Thailand>

## PUBLIC RECORD

The information provided by these entities was assessed as being materially deficient and not sufficient to warrant verification, and therefore considered unreliable. The Commissioner was satisfied that relevant information was not furnished within a reasonable period, and therefore considered these entities as uncooperative exporters as per s.269TACAB(1). 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 7.8 of this report.

### 7.2.6 Traders

For the purpose of this investigation, 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.

## 7.3 Submissions to SEF 223

As outlined in section 2.4, the Commission received a number of submissions in response to SEF 223, relating to exporter specific issues, or issues that pertain to more than one exporter. Submissions to SEF 223 that relate to specific exporters and their dumping margins are addressed in section 7.6.2 (Tung Ho Steel) and 7.7.1 (SYS). Submissions in response to SEF 223 relating to several or all exporters are discussed in this section. These issues are:

- actual and theoretical weight of the goods; and
- domestic marketing and advertising expenses for normal value.

### 7.3.1 Actual and theoretical weight

#### *Submissions*

In its submission dated 5 August 2014, OneSteel contend that an upwards adjustment to normal value is required for SYS, Hyundai Steel and Tung Ho Steel, on the basis of differences in minimum weight tolerances permitted by relevant international standards governing domestic and export sales of HRS. The issue of actual and theoretical weight as it pertains to Tung Ho Steel is addressed under 7.6.3 of this report.

OneSteel submitted that it is common practice in exporting countries to sell on a theoretical basis and that there is a financial incentive to roll HRS on an actual basis towards the lower end of the allowable mass tolerances, whilst still complying with minimum tolerance permitted by the relevant standards. In its submission, OneSteel stated that it does not believe that overseas mills aim to produce to the lowest minimum tolerance (e.g. -5%), however they may aim to be lower by a certain percentage (e.g. -3%) to mitigate the risk of exceeding the minimum tolerance permitted. OneSteel contend the adjustment should be based on the percentage differences as per the relevant international standards.<sup>22</sup>

#### *The Commission's assessment*

---

<sup>22</sup> OneSteel submission dated 5 August 2014 (# 82 on the Public Record)

## PUBLIC RECORD

As set out in the *Dumping and Subsidy Manual*, due allowance adjustments may be made under s.269TAC(8) to allow for differences in physical characteristics where the differences can be quantified and supported by verifiable evidence. Adjustments are only considered by the Commission where differences affect price comparability and are made to enable fair comparison between like goods and the goods.

With respect to Hyundai Steel and SYS, each of the verification reports published on the Public Record provides full detail on the Commission's examination and verification of the actual and theoretical weight issue. The Commission established that:

- costing and pricing of HRS in both the domestic and export market is based on theoretical weight;
- actual weight is not measured and recorded for HRS produced and sold in either the domestic or export market; and
- company policy is not to take advantage of the minimum tolerance permitted by the relevant standards.

The Commission has considered OneSteel's comments in relation to all other matters raised in its submission, coupled with reviewing the verified evidence and details surrounding actual and theoretical weight issue gathered as part of exporter verification.

The Commission has not been provided with any verifiable evidence of the actual weight of HRS produced and sold on either the domestic or export market. In the absence of this information, the Commission has no positive evidence to substantiate OneSteel's claim that exporters, in actual fact, roll HRS towards the lower end of the allowance mass tolerances.

The Commission notes that OneSteel's claims for an upwards adjustment to normal values is based on the differences in allowable mass tolerances prescribed in the relevant standards, irrespective of its statement which contends that on an actual basis, exporters may not be taking full advantage of differences in allowable mass tolerances to mitigate the risk of non-compliance with the standards.

The Commission has determined that in this case, it would be inconsistent with s.269TAC(8) to make an upwards adjustment to the normal values on the basis of differences in mass tolerances based on standards alone. As stated above, the Commission has not been provided with any evidence of physical differences and is unable to establish whether any physical differences affect price comparability.



### 7.3.2 Domestic marketing and advertising fees

#### *Submissions*

In its submission dated 5 August 2014, OneSteel submitted that claimed adjustments relating to Tung Ho Steel and Hyundai Steel for domestic advertising expenses for HRS require review, on the basis that in its view advertising for HRS products by the producer is generally not undertaken. OneSteel raised various matters in relation to this issue, including the evidence obtained to substantiate the claim, the timing of the claim, and allocation of the expense to the goods.<sup>23</sup>

#### *The Commission's assessment*

The Commission has considered OneSteel's comments in relation to all matters discussed on this issue in the submission and has re-examined the evidence and basis in which downward adjustments were made to normal value. The Commission considers the approach adopted in the respective exporter visit report as it pertains to due allowance adjustments for domestic marketing and advertising expenses is reasonable, and therefore no further amendments to the normal values are warranted.

## 7.4 Japan

### 7.4.1 JFE Bars and Shapes Corporation

#### Export Prices

During the investigation it was established that JFE Bars and Shapes exports its HRS to Australia through traders. As goods have been purchased by the importer from an entity not considered by the Commission to be the exporter, export prices for exports by JFE were established pursuant to s. 269TAB(1)(c), having regard to the circumstances of the exportation.

The Commission used the price from JFE Bars and Shapes to the trading companies, less inland transport costs to establish an export price.

#### Normal Values

#### *Models used for normal values*

The Commission considers HRS sold domestically by JFE Bars and Shapes has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is satisfied that HRS sold by JFE Bars and Shapes 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 submitted that the most appropriate grade for comparison purposes to the exported G300 is SS400. After applying the Commission's model-matching criteria, the Commission determined that the SS400 was the most comparable subset of like goods in determining JFE Bars and Shapes normal values.

---

<sup>23</sup> OneSteel submission dated 5 August 2014 (# 82 on the Public Record)

## PUBLIC RECORD

The Commission identified a cost to make (CTM) difference between the selected SS400 grade and G300. The Commission adjusted for the physical difference between the domestically sold and exported HRS to Australia. 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.

### *Calculations*

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 made adjustments 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 4 – Summary of adjustments (JFE Bars and Shapes Corporation)**

The Commission compared the weighted average of export prices at free alongside terms (FAS) 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 is **12.15%**.

## 7.5 Korea

### 7.5.1 Hyundai Steel Company

#### Export Prices

Export prices for Hyundai Steel 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

##### *Models used for normal values*

The Commission considers HRS sold domestically by Hyundai Steel 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 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 mill test certificates that indicated the actual physical specifications of various steel grades including SS400, SM490A, G300 (export grade to Australia). While the Commission found that the actual physical specification of the SS400 was comparable to the G300, it also found that the SM490A grade did not closely match the G300. Finally, the Commission observed that SS400 grade's production cost was more similar to the G300. In light of these findings, the Commission determined that that 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.

##### *Calculations*

Normal values for exported models were determined under s.269TAC(1) of the Act 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 made adjustments 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	<b>Deduct</b> the weighted average domestic warehouse

## PUBLIC RECORD

Adjustment type	Description
expenses	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 5 - Summary of adjustments (Hyundai Steel Company)**

The Commission compared the weighted average of export prices, at free on board (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 is **2.52%**.

## **7.6 Taiwan**

### **7.6.1 TS Steel Co Ltd**

#### Export Prices

Export prices for exports by TS Steel 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

##### *Model used for normal values*

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

## PUBLIC RECORD

The Commission identified in its REQ that the company sold domestically produced HRS meeting only 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 found no quantifiable and verifiable evidence of an actual production cost difference between HRS for domestic sales and that exported to Australia.

### *Calculations*

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 made adjustments pursuant to s.269TAC(8) of the Act as follows:

Adjustment type	Description
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 6 - 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 is **4.68%**.

### **7.6.2 Tung Ho Steel Enterprise Corporation**

#### Export Prices

Export prices for exports by Tung Ho Steel 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.

## PUBLIC RECORD

### Normal Values

#### *Models used for normal values*

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

The Commission had regard to the physical, functional and production likeness of the HRS produced and sold domestically in determining the most comparable subset of HRS. The Commission notes that Tung Ho Steel produces different grades of steel in five internally identified categories. Tung Ho Steel 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 observed that SS400 and G300 grade were categorised together, along with several other grades. In contrast, the Commission observed that SM490 was categorised in a different category and produced from a different source of blooms. In the circumstances, the Commission identified that all grades within the same category as SS400 and G300 were suitable for comparison purposes, noting other model matching criteria which was used, for example, shapes and dimensions.

#### *Calculations*

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 made adjustments 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

## PUBLIC RECORD

Adjustment type	Description
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 as required

**Table 7 – 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 is **2.20%**.

### **7.6.3 Submission to SEF 223 – Actual and theoretical weight**

In response to section 6.6.3 of SEF 223, Tung Ho Steel submitted that, to ensure fair comparison as per s.269TAC(8), the Commission should amend its dumping margin calculations. It contended that the Commission should use the actual weight rather than theoretical weight of the goods for normal value and export price calculations, claiming that *'otherwise the goods compared are not identical.'*<sup>24</sup>

Adjustments made under s.269TAC(8) are able to be made where there is evidence that a particular difference affects price comparability.

In the context of Tung Ho Steel's actual and theoretical weights issue, it has been established that:

- Sales of HRS in both the domestic and export market is based on theoretical weight (rather than actual weight), which has been confirmed to source documents;
- Company policy is not to take advantage of theoretical to actual weight tolerances, and that it aims to produce HRS with actual weight closely approximate to the theoretical weight to which it is sold;
- Verification of actual and theoretical weights was undertaken for goods sold on both the domestic market and the Australian market and it was identified that the reported theoretical and actual weights were similar for sales to both

<sup>24</sup> Tung Ho Steel submission dated 5 August 2014 (# 81 on the Public Record)

## PUBLIC RECORD

markets, with a very small variation between the theoretical weight invoiced by Tung Ho Steel, and the actual weight of goods sold;

- Analysis of the results did not show any evidence to suggest that the company systemically rolled to one tolerance or another across markets, noting the company 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.

The Commission has established that Tung Ho Steel's basis for selling goods in the domestic and export market are based on theoretical weight, and that the normal value and export price calculations were consequently calculated using theoretical weight.

The Commission considers that the methodology applied in establishing weighted average selling prices is reasonable considering that the quantity of goods sold is calculated in the same way in both markets. In this case, Tung Ho Steel's claim under s.269TAC(8) is unsupported by the evidence presented, as the conditions of sale as they relate to theoretical and actual weights are not modified between markets and therefore no difference exists which affects price comparability.

## 7.7 Thailand

### 7.7.1 Siam Yamato Steel Co Ltd

#### Export Prices

Export prices for exports by SYS 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

##### *Models used for normal value*

The Commission considers HRS sold domestically by SYS 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 SYS on the domestic market in Thailand are like goods in accordance with s. 269T(1).

The Commission in section 7.7.2, *like goods and grade comparisons* has outlined its position on the most appropriate grades for comparison purposes to the exported G300.

##### *Calculations*

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 made adjustments pursuant to s.269TAC(8) of the Act as follows:



## PUBLIC RECORD

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	<b>Deduct</b> an amount 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 8 - 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 SYS is **18.28%**.

### **7.7.2 Submissions to SEF 223**

#### **Introduction**

SYS lodged a number of submissions in response to SEF 223, in which it disagreed with the Commission's approach and preliminary findings in relation to a number of matters:

- models used for normal value;
- date of sale;
- cutting cost adjustment;
- production cost adjustment;
- level of trade adjustment;
- foreign exchange gains or losses;
- use of quarterly data; and
- management fee.

In a submission received from the Department of Foreign Trade (DFT), Ministry of Commerce, Kingdom of Thailand, dated 18 August 2014, the DFT requested the Commission to reconsider the issues raised by SYS. In the section below, the Commission has outlined its position on these matters including reference to the relevant legislative and policy framework.

For the purposes of the following section, each of the below matters raised relate primarily to adjustments. The Commission has had regard to the legislative and policy framework pertaining to adjustments as set out below.

## PUBLIC RECORD

Subsection 269TAC(8) of the Act allows adjustments to be made to normal value in certain circumstances:

- 8) Where the normal value of goods exported to Australia is the price paid or payable for like goods and that price and the export price of the goods exported:*
- (a) relate to sales occurring at different times; or*
  - (b) are not in respect of identical goods; or*
  - (c) are modified in different ways by taxes or the terms or circumstances of the sales to which they relate;*
- that price paid or payable for like goods is to be taken to be such a price adjusted in accordance with directions by the Minister so that those differences would not affect its comparison with that export price.*

The *Dumping and Subsidy Manual* states that ‘adjustments will be made if there is evidence that a particular difference affects price comparability.<sup>25</sup>’ The Commission will consider making adjustments to normal values in circumstances where the elements of s.269TAC(8) are satisfied.

### 1) Like goods and grades comparison

SYS disagreed with the Commission’s selection of steel grades used as the basis to calculate normal values.<sup>26</sup> It submitted that on a comparison of standards, and consistent with other exporters, SS400 should be the domestic grade used for normal value purposes. Further, in the absence of domestic sales of SS400 for H-beams, grade SS/SM400 is the only domestic sales of like goods available to form the basis of calculating normal value. Finally, SYS stated that SS/SM400 is a superior grade to SS400/AS300, supported by a higher domestic selling price and cost.

#### 1a) Findings at SEF 223

In SEF 223, the Commission outlined its preliminary views on like goods and a comparable subset for calculating normal values; refer to section 6.4.2 and 6.4.3 of this report.

#### 1b) Final Report Findings

The Commission has re-examined the test certificates provided by SYS and has determined that it is reasonable to widen the existing subset of goods used for the purposes of calculating normal value and include the minor volume of domestic sales of SS400 grade. This includes recalculating the ordinary course of trade and sufficiency tests inclusive of SS400 and at a selected grades level, coupled with shape and length.

The Commission does not accept SYS’ contention that SS/SM400 should not be used as the basis for calculating normal value, and only used in the absence of domestic sales of SS400 for H-beams. The available evidence of the actual physical specifications to which SS/SM400 is manufactured and sold does not support that conclusion.

---

<sup>25</sup> Dumping and Subsidy Manual, page 58

<sup>26</sup> SYS submission dated 31 July 2014 (# 79 on the Public Record)

## PUBLIC RECORD

In widening the existing subset of goods for the purposes of calculating normal value, the Commission reaffirms the broader methodology applied in the verification report and detailed in this report.

The Commission observed a small difference in domestic selling prices between sales of SS400 and SS/SM400 is evident when examining at both an aggregate level and when model matched by grade, shape and dimension. However, there was no verifiable evidence presented by SYS to satisfy the Commission and support SYS' opinion that there is a cost difference between various domestic grades, in particular:

- SYS provided the Commission with quarterly cost to make and sell (CTMS) on a shape basis only;
- SYS advised the Commission at verification that costs on a grade basis could not be provided; and
- The Commission has not been satisfied that sufficient evidence exists to support a production cost adjustment claim, which is outlined in the *Production cost adjustment* section below.

As outlined in section 6.4.3, the identification of a comparable subset for calculating normal values was determined on an exporter-by-exporter basis. It was evident to the Commission that each exporter's HRS product offering in the domestic market based on grades differed, and the volume of domestic sales of the respective grades (for example SS/SM400 dual grade was only sold in Thailand and in substantial volumes).

Finally, the Commission disagrees with SYS' assertion that SEF 223 identified SS400 as the most suitable grade for like goods comparison. The statement made in 6.3.1.3 of SEF 223 that '*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>27</sup> were the views of another exporter and incorrectly attributed to the Commission.

---

<sup>27</sup> SEF No. 223 page 34

## 2) *Date of Sale*

SYS claims that the date of order confirmation should be considered the date of sale, rather than the invoice date.<sup>28</sup>

### 2a) Policy

The *Dumping and Subsidy Manual* states that ordinarily the date of invoice will be the date recognised as the date of sale, unless an alternative date can be shown to establish the material terms of that sale.<sup>29</sup> Where an exporter claims a date other than the date of invoice better reflects the date of sale, the Commission will examine the evidence provided.<sup>30</sup> The evidence, in accordance with policy must '*address whether price and quantity were subject to any continuing negotiation between the buyer and the seller after the claimed contract date.*<sup>31</sup>

### 2b) Background

At the commencement of the remote verification, on 1 April 2014, SYS provided commercial documents for selected domestic sales. The package of documents for each sale included an invoice and an order confirmation document. The order confirmation document in several cases was accompanied with one, or sometimes a number of, 'change order forms' being completed after the original order confirmation was issued. SYS explained that it was possible for customers to make changes to their orders following the issue of an order confirmation, which would result in a further, amended order confirmation being produced. The company stated that orders may be changed as many times as the customer requested until an invoice was issued and their order was delivered.

The Commission requested evidence that the material terms of the sale (for example, the price and quantity of goods), are fully and finally agreed at the order confirmation to assess SYS' claim. SYS did not provide any further evidence.

The Commission considered that although the most-recently produced order confirmation document reflects the material terms of sale, because order confirmations generally are able to be revised repeatedly, this date cannot not be used as the date of sale. By contrast, once an invoice is issued to SYS' customers, no further negotiation of the terms of the sale can be entered into. This decision was reflected in the verification report and SEF 223.

### 2c) Submissions to SEF 223

SYS stated that:

- *included in the sets of documents for the selected Australian export transactions are final order confirmations confirming the dates of sale...*

---

<sup>28</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

<sup>29</sup> Dumping and Subsidy Manual, page 60

<sup>30</sup> *ibid*

<sup>31</sup> *ibid*

## PUBLIC RECORD

- *details of the invoices and final order confirmations match, proving that the material terms of the export sales to Australia are established by order confirmation; and*
- *to not accept these dates will be inconsistent with the footnote to Article 2.4 of the Anti-Dumping Agreement.*<sup>32</sup>

### 2d) Final Report findings

SYS' submission relied upon evidence previously put to the Commission, specifically, the sales documents provided on 1 April 2014. The material terms of sale are not finally established by the order confirmation. Further negotiations of the terms of sale can, and through evidence presented, have been demonstrated to occur, at the date of order confirmation through the change order form. The Commission cannot accept the order confirmation date as the date of sale because it does not best establish the material terms of sale due to the ability for order confirmations to be amended. The invoice, by contrast, represents in every case the final terms of the sale. As a result, the invoice date has been used as the date of sale.

Finally, footnote 8 to Article 2.4 of the *Anti-Dumping Agreement* states that '*normally, the date of sale would be the date of contract, purchase order, order confirmation, or invoice, whichever establishes the material terms of sale.*<sup>33</sup>' It is not clear to the Commission on what grounds SYS believe that using the invoice date as the date of sale is inconsistent with footnote 8 to Article 2.4 of the *Anti-Dumping Agreement*, given that the invoice date materially establishes the date of sale.

### **3) Cutting cost adjustment**

SYS claim that an adjustment of 300 THB/mt, representing the additional amount per tonne which SYS charge to customers in the domestic market for sales of HRS at lengths less than 12 metres should be applied to normal value. SYS referred to this adjustment as a 'cutting cost' adjustment on the basis that 'domestic customers are required to pay an additional 300 THB/mt to meet SYS' additional cutting cost.'<sup>34</sup>

### 3a) Background

In its REQ, SYS claimed that:

*the 'Cutting cost' included in attachment D-4 is a charge of THB 300/tonne for domestic sales of lengths less than 12 metres, i.e. 6 or 9 metres. There is no such cost incurred in exports to Australia as no exports are less than 12 metres.*

During verification, SYS claimed HRS is produced in lengths of 12 metres and 18 metres in the domestic market, and if customers requested HRS at lengths less than 12 metres, a charge of 300 THB/mt was applied on the basis that the HRS was required to be cut to length.

---

<sup>32</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

<sup>33</sup> Anti-Dumping Agreement, Article 2.4

<sup>34</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

## PUBLIC RECORD

SYS further claimed during verification that no HRS was exported at lengths below 12 metres, and this was the reason the cost was incurred for domestic customers but not for exports. The Commission identified that there were numerous sales of HRS to Australia of lengths below 12 metres. SYS then revised its position, and stated that the reason domestic customers were charged an additional fee for lengths less than 12 metres was because the cutting occurred not as part of production, but separately at a distribution centre.

The Commission observed in domestic price lists two different prices for lengths above or below 12 metres, which SYS claim is related to a cutting charge, while on the export market no additional charge is itemised in selling prices for HRS based on length.

Whilst the charge is not itemised for Australian exports, this is not indicative of there being no such charge. Information on the actual costs incurred for domestic and export cutting were not provided by SYS in support of its claim. The claim by SYS that because its selling prices are different by a set amount at lengths above and below 12 metres in the domestic market, but are not different by a set amount based on length for the export market, in the Commission's view does not warrant adjustment under s.269TAC(8).

### 3c) Submissions to the SEF

SYS stated that:

- *the verification team's understanding that the additional cost of cutting domestic sales at lengths less than 12 metres is added to the sale price of domestic product is correct, but they do not appear to understand that there is no such additional cost for exports to Australia at lengths less than 12 metres; and*
- *It is clear that the additional amount included in domestic prices of less than 12 metre lengths...effects[sic] fair comparison of domestic prices and export prices...and should therefore be adjusted for.<sup>35</sup>*

SYS did not provide any new evidence for its claims.

### 3d) Final Report Findings

The Commission's position remains unaltered. In considering SYS' claims of a cost adjustment, the Commission has no evidence of:

- the actual cost of cutting for either domestic or export sales;
- whether there is any quantifiable difference in cost incurred for domestic and export cutting; and
- whether there is any difference in the production process for domestic and export cutting.

As a result no adjustment for cutting based on cost was able to be made.

Alternatively, if the claimed adjustment is not a cost adjustment, but a selling price adjustment, the Commission considers the basis for such a claim to be unreasonable. SYS' decision to charge customers differently according to length in one market

---

<sup>35</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

## PUBLIC RECORD

(domestic) but not in another (export) does not affect fair comparison for normal value purposes. The Commission is unable to accept the claim on the evidence provided as the Commission considers the conditions of sale are not sufficiently modified to allow adjustment under s.269TAC(8).

### 4) **Production cost adjustment**

SYS claimed that an adjustment for production cost difference of ■■■ THB per tonne should be made to normal values which are based on SS/SM400 due to higher costs of production and quality.

#### 4a) Background

SYS has claimed an adjustment on the basis of screening and blending costs, manufacturing yield differences, differences in scrap raw materials used, a generally higher production cost and a price premium. The Commission observes that the justification for the adjustment changed throughout the verification and subsequent submission process as outlined below.

In its REQ, SYS claimed that:

*The cost to produce the GUC (grade A300) is less than that to produce like goods sold in the domestic market (SS400/SM400) because of the following:*

*1. Materials cost.*

*Scrap for SS400/SM400 has to be screened and blended differently in order to ensure appropriate quality; and*

*2. Manufacturing overhead*

*Extra cost is incurred as a result of inferior production yield and more rejection.*

The verification team examined these claims with SYS and determined that there were no differences between export and domestic production based on the items claimed above. After discussing how the screening process worked, SYS advised it was actually the blend of scrap used in production which created the need for an adjustment not the screening process and production yield as claimed in the REQ. Specifically, SYS claimed that:

- imported scrap is more expensive to purchase than domestic scrap;
- both imported and domestically sourced scrap was used in the production of all HRS; but
- the proportion of imported and domestic scrap used in production of domestically sold and exported goods is different.

SYS were asked to provide documents to evidence the blends of imported versus domestic scrap used in the production of each of the grades, however it did not provide any supporting evidence. Given no evidence was provided to support the difference claimed in production mixes the verification team were unable to make an adjustment on this basis.

## PUBLIC RECORD

### 4b) Findings at SEF 223

The Commission's decision remained unaltered and no adjustment was made. The Commission notes SYS' submission of 11 July 2014 which stated that 'SYS is in the process of gathering additional evidence demonstrating the difference in the cost of production between [grades]...as demonstrated by attachments G-4 and G-5 to SYS' exporter questionnaire response...the main contributor to the additional cost of production of SS/SM400 is the use of a larger volume of higher quality imported scrap...<sup>36</sup> No such evidence has been presented to the Commission.

### 4c) Submissions to SEF 223

In its most recent submission, SYS argued that if SS/SM400 was to be used in place of SS400, because of SS/SM400's 'higher production cost and price premium<sup>37</sup>' compared to SS400 that:

*it is necessary to make due allowance for the effect of the additional production cost of SS/SM400 on its selling price...verified attachments G-3 and G-4 to SYS' exporter questionnaire response demonstrate that during the IP the production cost of SS/SM400 was...higher than that of AS300.<sup>38</sup>*

### 4d) Final Report Findings

The Commission notes SYS is referring to attachments G3 and G4 which are quarterly CTMS information for export and domestic sales during the investigation period. The domestic CTMS provided in the above named attachment shows production cost by shape, but not by grade. In the domestic market SYS sold several grades of HRS. As the CTMS data is provided in aggregate in terms of grades, it is not possible for the Commission to assess the costs of SS/SM400 relative to other grades. The Commission is unable to make an adjustment on the basis of claimed reasoning relating to the screening and blending costs, manufacturing yield differences, differences in scrap raw materials used, a generally higher production cost or a price premium.

## **5) Level of trade adjustment**

SYS have claimed a downward adjustment to domestic selling prices to account for the level of trade differences between domestic and Australian customers.

### 5a) Policy

The *Dumping and Subsidy Manual* outlines the Commission's policy in treatment of level of trade adjustments. Two issues are considered in examination of whether to grant a level of trade adjustment: the selling activities carried out at different levels of trade, and the price differences between sales in the domestic market to customers at different levels of trade. It further states that:

---

<sup>36</sup> SYS submission dated 11 July 2014 (# 76 on the Public Record)

<sup>37</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

<sup>38</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)



## PUBLIC RECORD

*the evidence must demonstrate that the sales being compared were made at different levels of trade. An adjustment for trade level will only be made when these difference in levels of trade are shown to have affected price.*<sup>39</sup>

In accordance with the Commission's *Dumping and Subsidy Manual* an adjustment may be made based upon the difference in costs associated with each activity the exporter has performed in the domestic market but did not perform in its exports to Australia.<sup>40</sup>

The Exporter Questionnaire provides instruction to exporters at E-2 that '*Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there are no real trade level differences all sales are treated as being at the same level of trade.*'<sup>41</sup>

### 5b) Background

SYS claimed a level of trade adjustment of the amount of the sales margin (less logistics costs) claimed to be achieved by its unrelated Australian customer, TKM, to its Australian customers.

The Commission observed there were different levels of trade nominated by SYS in the domestic market. In its REQ, SYS referred to up to six levels of trade applicable to its domestic customers. However, at verification, SYS claimed there was only one level of trade in the domestic market. SYS later revised its claim and stated that there were two levels of trade,<sup>42</sup> and that there was a clear difference in pricing at each of those levels.

### 5c) Findings at the SEF

SEF 223 affirmed the decision of the verification team, outlined at section 8.4 of SYS' verification report. In summary, the Commission found, based on information provided by SYS, that:

- an adjustment for level of trade should be made however, not on the basis of, nor for the amount claimed by SYS;
- SYS claimed it sold HRS at two distinct levels of trade: one level of trade domestically, and another level of trade to Australia;
- the *Dumping and Subsidy Manual* provides that an adjustment may be made based upon the difference in costs associated with each activity the exporter has performed in the domestic market but did not perform in its exports to Australia;<sup>43</sup>
- it is reasonable that there may be additional sales costs associated with the domestic sales at one level of trade that are not incurred in export sales at another level of trade;
- a small difference between verified costs to sell associated with domestic and Australian export sales was identified; and
- this finding supports consideration of a level of trade adjustment.

---

<sup>39</sup> Dumping and Subsidy Manual, page 64

<sup>40</sup> Anti-Dumping Commission Dumping and Subsidy Manual December 2013, page 65

<sup>41</sup> Exporter questionnaire, page 23

<sup>42</sup> SYS submission dated 11 July 2014 (# 76 on the Public Record)

<sup>43</sup> Anti-Dumping Commission Dumping and Subsidy Manual December 2013, page 65

## PUBLIC RECORD

### 5d) Submissions to the SEF

SYS provided a submission dated 6 August 2014, in which it reiterated its views on level of trade. It stated that *'as demonstrated by evidence provided to the Commission post-verification, in its sales into the domestic market, SYS has different price levels for sales to distributors and end-users'* to allow for a greater sales margin to its distributor customers. SYS claimed that as a result of the differences in sales and marketing expenses an adjustment for level of trade is warranted.<sup>44</sup> SYS restated that a level of trade adjustment of the amount of the sales margin (less logistics costs) claimed to be achieved by its Australian customer, TKM, to its Australian customers should be granted.

### 5e) Final Report Findings

The Commission affirms the findings in the SEF. A level of trade adjustment is warranted, although not for the reasons advocated by SYS.

SYS stated in its submission of 6 August 2014 that there are two levels of trade in the domestic market: distributors and end-users.<sup>45</sup> The Commission examined this claim in the context of a level of trade adjustment. The Commission cannot quantify the difference in expenses for selling activities at different levels of trade if there are multiple levels of trade as claimed because domestic selling costs have been provided in aggregate. Consistent with policy, where there is no consistent pattern of price differences between the levels of trade, all sales are treated as being at the same level of trade. No consistent pattern of selling price differences based on level of trade was observed in SYS' domestic sales data. Selling prices were compared at both an aggregate and a model-matched level. In aggregate, a minor difference was observed in selling prices, while at a model level, selling prices fluctuated without discernible pattern. This evidence, coupled with the Commission's understanding of the relevant sales volumes at each claimed level of trade supports the conclusion that there is only one level of trade in the domestic market.

Based on the Commission's understandings of the respective markets and available evidence, it is considered reasonable that SYS may incur additional selling expenses further down the supply chain in the domestic market as compared to the export market. Furthermore, the quantifiable difference in selling expenses was verified and it is considered reasonable that an adjustment based on this difference be applied to SYS' normal value.

---

<sup>44</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

<sup>45</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

## PUBLIC RECORD

### 6) *Foreign exchange gains or losses*

SYS claimed that its export price should be adjusted for impacted transactions to account for foreign exchange gains or losses as a result of converting AUD export prices to THB, as part of its forward exchange contracts with its banks.

#### 6a) Policy

Two relevant provisions are s.269TAF and s.269TAC(8). Section 269TAF outlines the treatment of currency conversion where a comparison of export prices with normal values is required. Specifically, it states that:

- (1) that conversion, subject to subsection (2), is to be made using the rate of exchange on the date of the transaction or agreement that, in the opinion of the Minister, best establishes the material terms of the sale of the exported goods.*
- (2) If, in relation to goods exported to Australia, a forward rate of exchange is used, the Minister may, in a conversion of currencies under subsection (1), make use of that rate of exchange.*

#### 6b) Background

SYS submitted an Australian sales spreadsheet which included an adjustment for exchange rate gains and losses as a result of foreign exchange contract carry forward. SYS provided source documents to support the claim. At the verification, SYS stated that it:

- used forward exchange contracts purchased through the Bank of Thailand;
- recorded each transaction on an actual cost incurred basis, adjusted at the end of each month for gains and losses; and
- recorded the gains and losses as 'other income' in its accounting system.

The claimed adjustment was considered by the verification team and not accepted on the basis that it had not been demonstrated by SYS that this particular difference affects price comparability. This decision remained unaltered in the SEF.

#### 6c) Submissions to the SEF

SYS stated that:

- *the Commission has erroneously dealt with the exchange rollover gain reported in SYS' Australian sales spreadsheet as a due allowance claim because of its impact on export and domestic price comparison; and*
- *This exchange rollover adjustment is not an adjustment concerning price comparability, but it is part of the conversion of AUD export prices to THB, being an element of SYS exchange rate forward cover arrangements with its banks. It is a bank adjustment to its payment of the THB equivalent of AUD export amounts under forward exchange contracts.<sup>46</sup>*

---

<sup>46</sup> SYS submission dated 6 August 2014 (# 83 on the Public Record)

## PUBLIC RECORD

### 6d) Final Report Findings

The Commission has examined the claims and evidence presented by SYS. The Commission notes that consistent with s. 269TAF(2) a forward rate of exchange may be used as part of converting currencies.

With respect to the treatment of the gains or losses that arise as part of the process of converting currencies, s.269TAF does not address the treatment as it relates to adjusting export prices; this section merely establishes the rate of exchange.

In its submission, SYS does not quote any specific legislative provision or policy under which the Commission should consider adjusting export prices for comparison purposes with normal values. Furthermore, SYS specifies that the adjustment claim is not a due allowance matter made under s.269TAC(8).

When considering SYS' claims for an adjustment to export price, the Commission has not been provided any evidence that when SYS establishes export price, relevant gains or losses as a result of forward cover are factored in its price setting. The Commission conducted an analysis of SYS' export sales to Australia, and identified that when the same goods (i.e. same shape and dimensions) were exported during a similar period, subject to differing gains or losses, the data evidenced a consistent unit price, further supporting the view outlined above. The Commission is not satisfied that the gains and losses arising from currency conversion should be used to adjust export prices of HRS exported to Australia.

### **7) Use of quarterly data**

The Commission calculated the total normal value for the investigation period by using the quarterly weighted average unit normal value multiplied by the corresponding quarterly export volumes consistent with policy.

SYS submitted that:

*calculation of dumping margins on a quarterly basis is unwarranted as all normal values are based on OCOT domestic selling prices and the investigation period is one year, i.e. dumping margins should be calculated on the basis of weighted average normal values and export prices over the investigation period.<sup>47</sup>*

### 7a) Policy

Section 269TACB(2)(a) states that to determine whether dumping has occurred, to 'compare the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period.'

The *Dumping and Subsidy Manual* provides further guidance. It states that:

*A weighted average dumping margin is calculated by comparing the total normal value for the investigation period to the total export value for the investigation period. The total normal value for the investigation period is calculated either by*

---

<sup>47</sup> SYS submission dated 31 July 2014 (# 79 on the Public Record)

## PUBLIC RECORD

*summing the quarterly weighted average unit normal value multiplied by the corresponding quarterly export volume; or summing the quarterly weighted average unit normal value multiplied by the export volume for each export transaction in the corresponding quarter...weighted average unit normal values are typically calculated on a quarterly basis.<sup>48</sup>*

### 7b) Final Report Findings

The use of yearly averages derived other than by the methodology described above to calculate normal values and export prices is not contemplated in policy, and is not common practice of the Commission. Furthermore, the Commission adopts the above approach to more accurately take account of cost and price fluctuations across the investigation period.

### **8) Management fee**

The management fee comprises two [REDACTED] % payments to related entities on the basis of [REDACTED] and [REDACTED]. The management fee applies to all sales whether domestic or export. The management fee was treated as an adjustment in the dumping margin calculations in the SEF, however has now been removed as it does not relate to a due allowance claim.

## **7.8 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%; and
- 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.

---

<sup>48</sup> Dumping and Subsidy Manual, page 116

## PUBLIC RECORD

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

Country	Dumping margin
Japan	12.23%
Korea	3.24%
Taiwan	7.89%
Thailand	19.48%

**Table 9 - Dumping margins for non-cooperating exporters**

### 7.9 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. Section 269TDA(4) defines a negligible volume as 3% of the total volume of goods imported into Australia over the investigation period.

The Commission has assessed that, over the investigation period, the volume of HRS exported from each of the nominated countries that was dumped is greater than 3% of the total volume of HRS imported, and is therefore not a negligible volume.

## **8 ECONOMIC CONDITION OF THE INDUSTRY**

### **8.1 Findings**

The Commission has 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 revenues.

### **8.2 Introduction**

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

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

### **8.3 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 revenues;
- reduced production capacity utilisation;
- reduced employment; and
- reduced attractiveness for reinvestment.

### **8.4 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.

### **8.5 Volume effects**

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

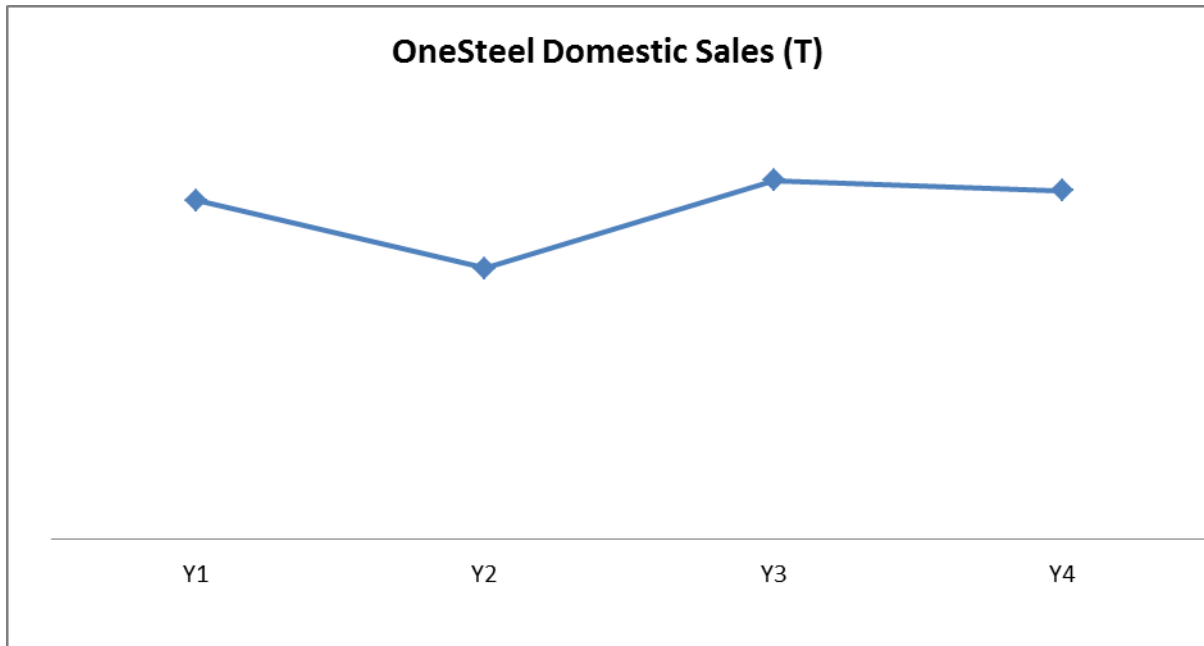
OneSteel submitted it is a volume sensitive supplier and has maintained its sales volume by lowering its prices. OneSteel highlighted the necessity of maintaining volume to ensure the viability of their business. During the verification visit, OneSteel explained its integrated manufacturing process and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

## PUBLIC RECORD

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.

### 8.5.1 Sales volume

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



**Figure 3 – Domestic Sales Volume (Yearly)**

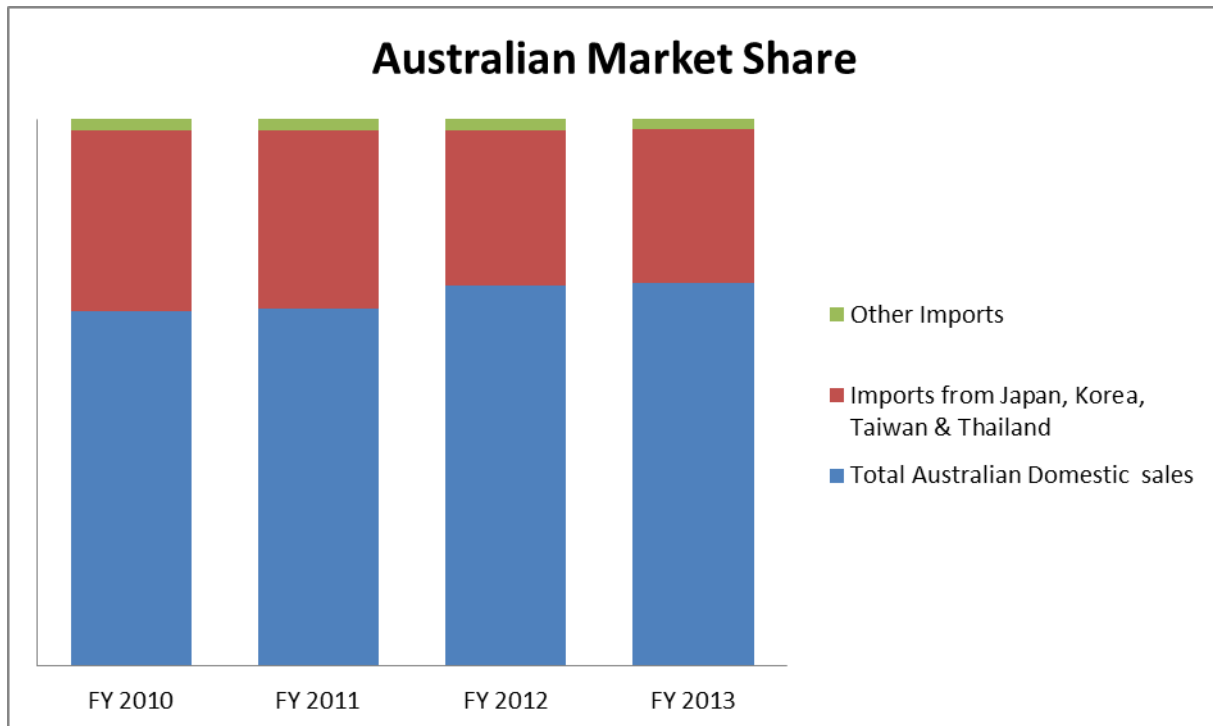
Note: Each year refers to a period between 1 October and 30 September

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.



### 8.5.2 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.

## 8.6 Price Effects

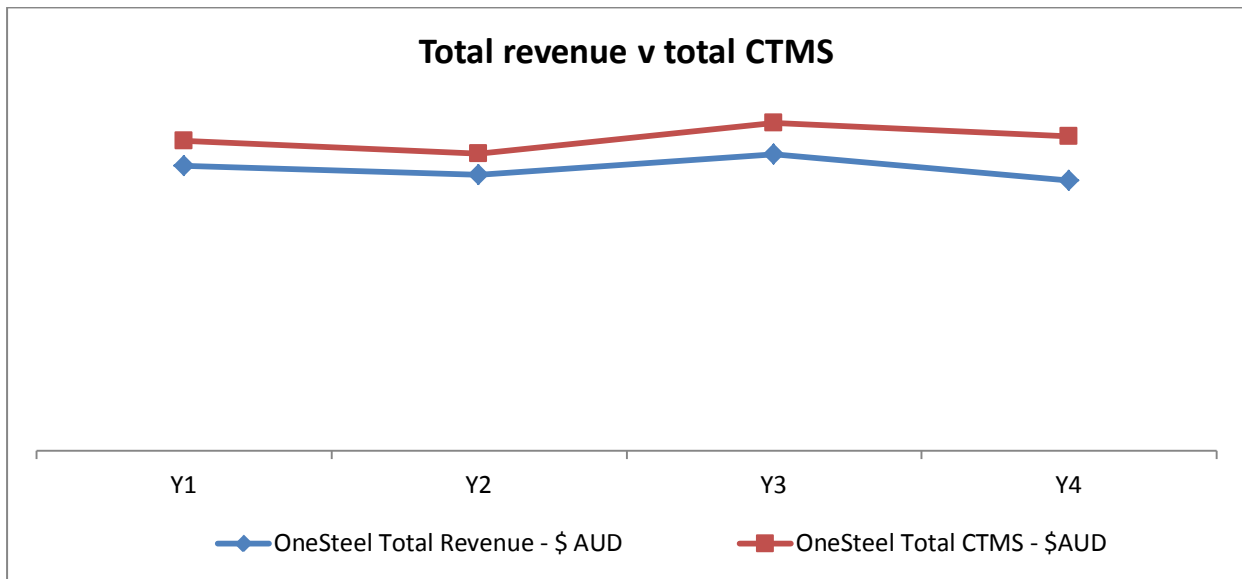
### 8.6.1 Price depression and price suppression

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.

## PUBLIC RECORD

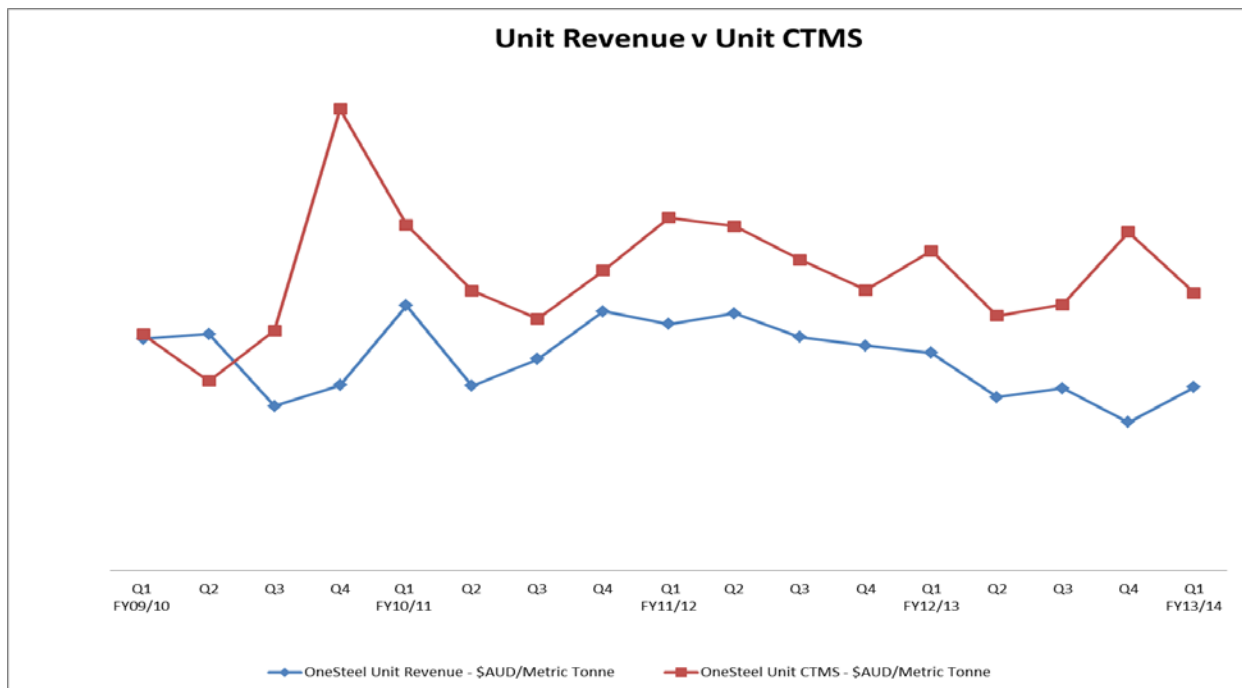
Figure 5 illustrates the movements in, and relationship between, OneSteel's total revenue and domestic HRS CTMS.



**Figure 5 – Total Revenue v Total CTMS (Yearly)**

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

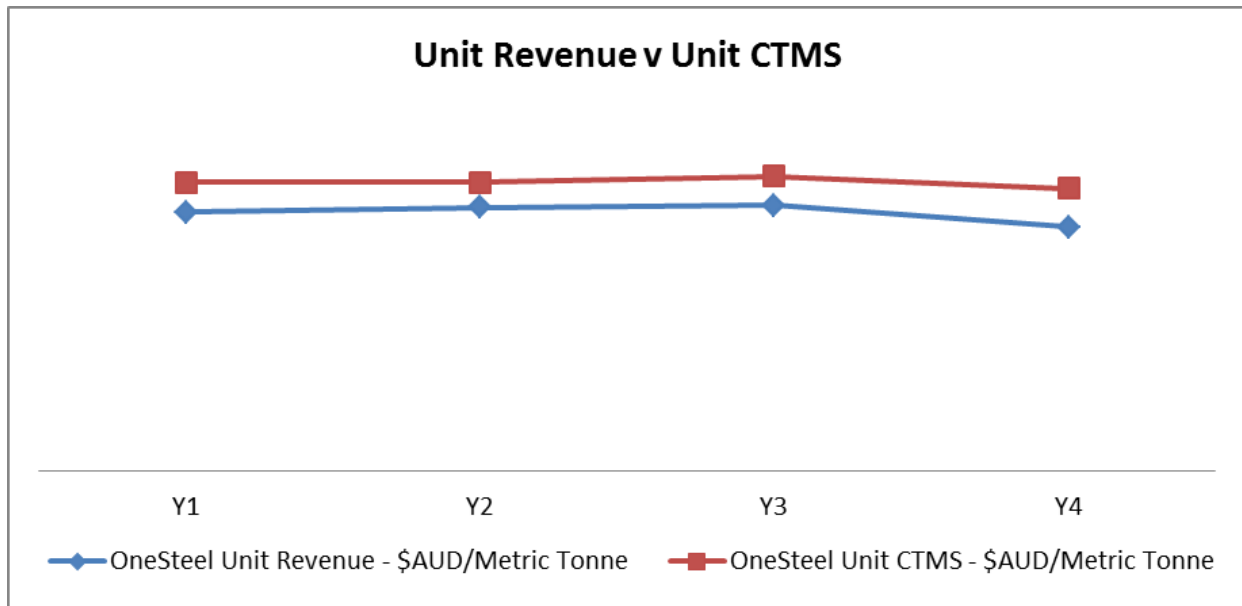
Figure 6 illustrates the movements in, and relationship between, OneSteel's unit selling prices and unit CTMS, on a quarterly basis.



**Figure 6 – Unit Revenue v Unit CTMS**

## PUBLIC RECORD

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

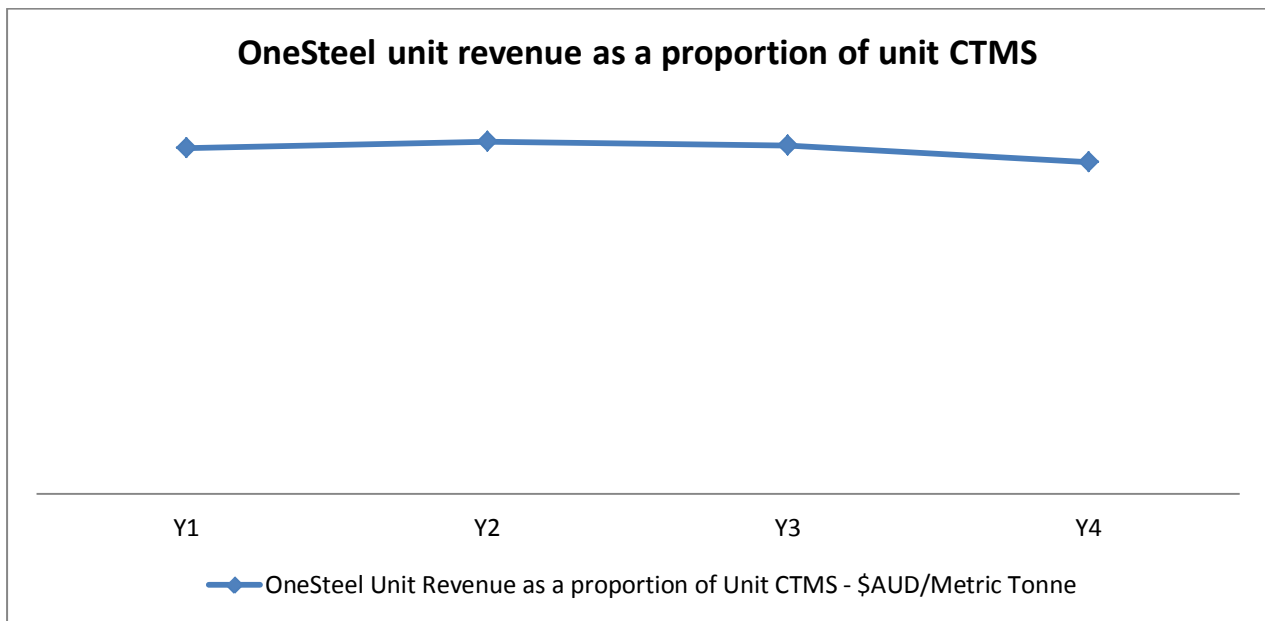
Figure 5 to 7 illustrate that, for a significant proportion of the charted period, OneSteel's CTMS has exceeded revenue, both on a unit basis and total value basis.

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 pricing (IPP). Import parity pricing is generally regarded as the practice where business set their prices against price offers of imports of competing products. The increased IPP resulted from increases in the price of scrap increasing import prices as well as movements in the Australian dollar.

## PUBLIC RECORD

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:

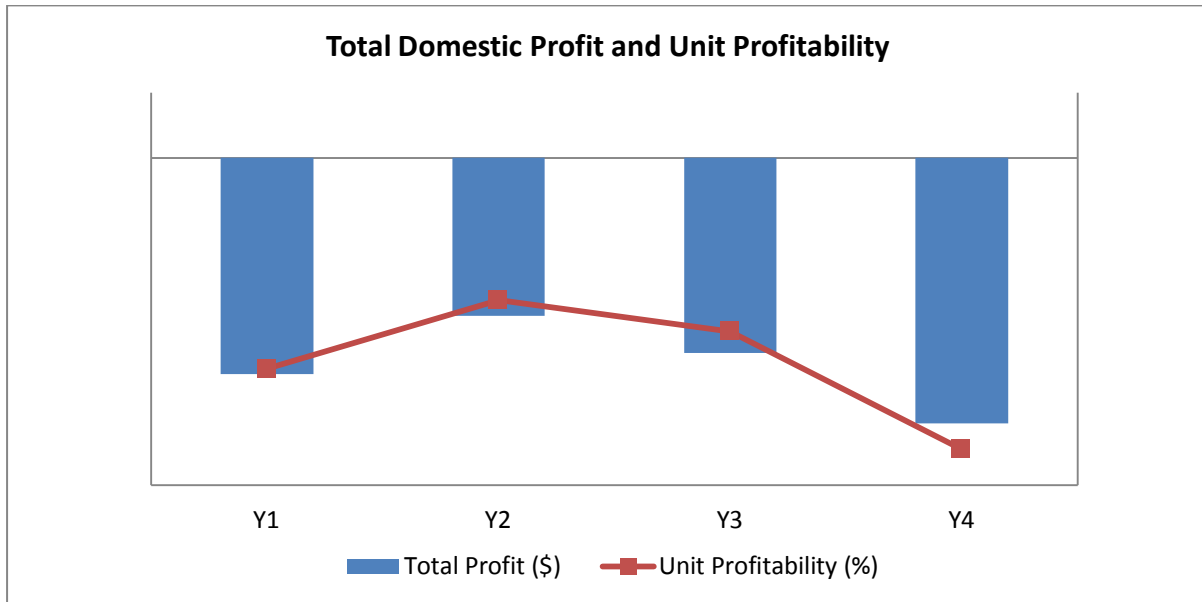
- unit revenue as a proportion of unit CTMS has declined on an annualised basis since 2011; and
- Although unit CTMS has reduced by 4% in FY 2013, the unit selling price has had a greater rate of decline, of 9%, over this period.

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.

## 8.7 Profit effects

### 8.7.1 Profits and profitability

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



**Figure 9 – Total Profit and 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.

## 8.8 Other Economic Factors

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.

## **8.9 Submissions to SEF 223**

### **8.9.1 Introduction – injury**

In its submission to the SEF, the DFT alleged injury related to price effects only. It contended that neither price undercutting nor the application of IPP and the premium price charged by OneSteel have impacted on the volume of its domestic sales, and requested that the Commission reassess the impact of alleged dumped imports on the domestic industry. The DFT was also concerned that the Commission did not present sufficient evidence in SEF 223 that, given its majority market share; OneSteel is not the price leader and therefore sets its selling prices based on IPP.

In the same submission, separately, the DFT requested the Commission reconsider its findings in relation to injury caused by other factors, specifically return on investment. The DFT raised concerns in the context of the Commission's return on investment observations relating to price depression, and also the extent to which OneSteel's costs have been inflated by upstream raw material purchases from Arrium Mining, a related party.

### **8.9.2 The Commission's Assessment**

The Commission wishes to clarify that it has found as per section 8.6 and 8.7 of this report, that OneSteel has suffered injury in the form of both price and profit.

In section 8.5, no claim of volume injury was made by OneSteel, furthermore the Commission has in sections 8.5.1 and 8.5.2 outlined its findings specifically on sales volume and market share. The Commission does not accept the proposition that price pressures arising from price undercutting and IPP will necessarily result in a loss of sales volume. There may be a range of market-based factors other than price, which result in a market share being maintained. For example, in section 9.9.5, the Commission has highlighted exclusivity arrangements as a factor which limits OneSteel's ability to increase its volume.

In relation to DFT's claim of OneSteel's ability to influence price setting in the Australian market, the Commission has set out in section 9.5, its findings as it relates to IPP and the evidence verified during the investigation. This evidence demonstrates that dumped

## **PUBLIC RECORD**

imports have adversely impacted on OneSteel's selling prices and that dumped imports influence the prevailing prices set in the Australian market.

The Commission's findings on other economic factors relating to injury, including return on investment are outlined in section 8.8. The Commission's observations regarding return on investment related to an aggregate level, that is, for all products produced at Whyalla Steelworks, not specifically HRS, as no data was presented which distinguished HRS from other products manufactured.

In relation to the DFT's claim that OneSteel's costs have been inflated by upstream raw material purchases from Arrium Mining, the Commission restates its findings in Chapter 10 of the OneSteel verification report. OneSteel's purchases of pellets and ore were 'below actual cost'<sup>49</sup> and also below market prices, indicating that its production costs have not been inflated for the purposes of injury analysis.

### **8.10 Conclusion**

Based on the analysis, 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 revenues.

---

<sup>49</sup> OneSteel verification report, page 61 (# 33 on the Public Record)

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

### **9.1 Finding**

The Commission 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 in the form of:

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

### **9.2 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.

### **9.3 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 19.48%.

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.

### **9.4 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 9.3, 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



## **PUBLIC RECORD**

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 AS/NZS 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.

### **9.5 Price effects**

#### **9.5.1 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 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.

## **PUBLIC RECORD**

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.

### **9.5.2 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 an 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.

### **9.5.3 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

## **PUBLIC RECORD**

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.

### **9.5.4 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 9.5.1) to the same customer.

### **9.5.5 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 9.5.1 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 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 8, 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.

## **9.6 Profit effects**

### **9.6.1 Reduced profit and profitability**

As outlined in Figure 9 in Chapter 8, 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.

## **9.7 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 revenue.

## **9.8 Other injury factors**

As detailed in Chapter 8, 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.

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

### **9.9.1 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 market has 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 positive 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;

## PUBLIC RECORD

- exclusive supply arrangements;
- product substitution and changing supply patterns; and
- efficiency of operations.

### 9.9.2 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 the nominated countries not found to be dumping that the volume of un-dumped goods is less than 1% of the total volume of exports (including the exports of Feng Hsin) to Australia. As such 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.

### 9.9.3 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.

### 9.9.4 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*

## PUBLIC RECORD

*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>50</sup>

These submissions focussed on:

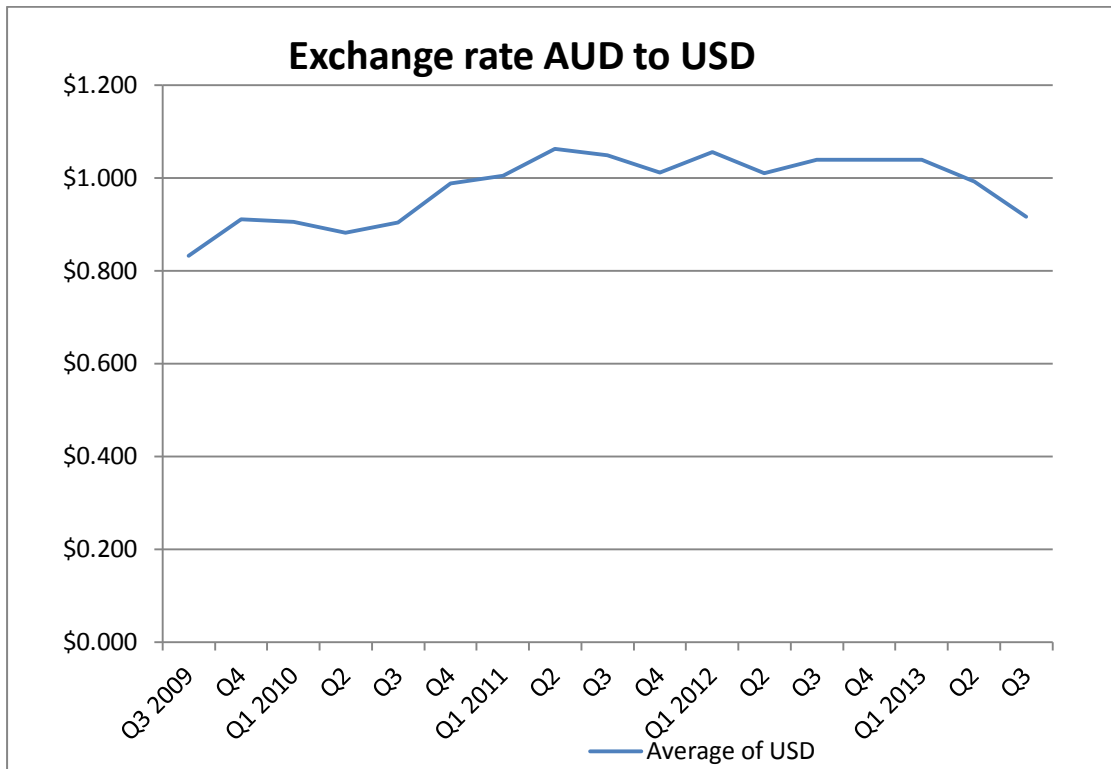
- the high Australian dollar, weak construction and manufacturing markets, and the observation that these factors are typical of the ebb and flow of the business cycle;
- reduced demand across the Australian economy as the government stimulus program wound down;
- weak international steel markets; and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

---

<sup>50</sup> Arrium Mining and Minerals 2013 Annual Report page 26



**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.

#### **9.9.5 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.

## PUBLIC RECORD

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.

### 9.9.6 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>51</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.

### 9.9.7 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>52</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.

## 9.10 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.

---

<sup>51</sup> Sanwa Pty Ltd importer verification report (# 41 on the Public Record)

<sup>52</sup> Sanwa Pty Ltd importer verification report (# 41 on the Public Record)



## PUBLIC RECORD

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.

### 9.11 Submissions to SEF 223

#### 9.11.1 Introduction – Material injury

In its response to SEF, NSSMC submitted its concerns as to whether the Australian industry had suffered material injury caused by imported goods sold at dumped prices. In summary, NSSMC made the following points:

- *NSSMC does not historically form a part of the Australian market supply chain;*
- *[its] one-off transaction represented an immaterial volume relative to the total size of the Australian market and could not have materially injured the Australian market; and*
- *the Commission should declare that NSSMC's export was non-injurious and terminate the proceedings against it or apply a zero rate of dumping duty.<sup>53</sup>*

#### 9.11.2 The Commission's Assessment

NSSMC contend that the injurious impact of its exports of the GUC needs to be considered separately from the analysis of Japanese exports generally, due to the singular nature of the sales transaction during the investigation period.

Firstly, the Commission has established that NSSMC has exported the GUC from Japan to Australia during the investigation period. As outlined in section 9.4, the Commission has found that there are grounds to support the consideration of the cumulative effect of exportations, and therefore injury will not be apportioned between countries, in determining whether material injury to the Australian industry has been caused. The Commission considers that the volume of exports of the GUC for each individual exporter is an irrelevant consideration when considering the cumulative effect of injury under s.269TAE(2C), noting that the Commission has already established that the volume of imports from each country is not negligible.

---

<sup>53</sup> NSSMC submission dated 7 August 2014 (# 84 on the Public Record)

## PUBLIC RECORD

In section 9.12 of this report, the Commission has established that dumping of HRS exported from the nominated countries has caused material injury to the Australian industry.

Finally, NSSMC assert that *‘to attribute NSSMC with a punitive all other rate of duty on the basis of a discrete one off transaction would be an unreasonable punitive imposition.’*<sup>54</sup> The Commission reiterates that it was determined that NSSMC was an uncooperative exporter as per s.269T(1) and accordingly, a dumping margin for NSSMC, based on best available information was determined in accordance with section 269TACAB(1).

### 9.12 Conclusion

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.

---

<sup>54</sup> NSSMC submission dated 7 August 2014 (# 84 on the Public Record)

## 10 WILL DUMPING AND MATERIAL INJURY CONTINUE?

### 10.1 Findings

The Commission makes a finding 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.

### 10.2 The Commission's Assessment

The Commission's dumping analysis found dumping margins between 2.20% and 19.48% 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.

Prior to the SEF, the Commission received a submission from Roger D Simpson and Associates Pty Ltd on behalf of SYS 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>55</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

---

<sup>55</sup> Arrium Mining and Minerals 2013 Annual Report page 27

## PUBLIC RECORD

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 its submission to evidence its claim that the magnitude of HRS price increases have not been realised across similar steel product categories.<sup>56</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 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 observation above;
- the relative size and importance of imports in the Australian market; and
- OneSteel's IPP based pricing mechanism.

---

<sup>56</sup> OneSteel submission dated 18 June 2014, # 65 on the Public Record

## **PUBLIC RECORD**

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.

## **11 NON-INJURIOUS PRICE**

### **11.1 Findings**

The Commission has 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.

### **11.2 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.<sup>57</sup>

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.

### **11.3 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.

### **11.4 The Commission's assessment**

The Commission has firstly considered whether any of the preferred options for estimating the USP are appropriate in this case.

---

<sup>57</sup> The non-injurious price is defined in s.269TACA

## PUBLIC RECORD

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.

NIP calculations are at **Confidential Appendix 2**.

## 12 ANTI-DUMPING MEASURES

### 12.1 Discussion

Recent changes to the legislation allow the Parliamentary Secretary to utilise additional methods of calculating the interim dumping duty beyond the single form previously available. 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).

### 12.2 Submissions to SEF 223

A number of interested parties lodged submissions in relation to the proposed form of measures outlined in the SEF, as discussed below.

#### 12.2.1 SYS

SYS contended that if dumping duties were to be imposed on future exports of HRS, the method of calculation should be a floor price duty method. SYS submitted the following circumstances of the case in support of its view that a floor price is the only valid method to calculate dumping duties:

- HRS Australian market prices were at their lowest level during the investigation period and have now returned to a more 'normal level';
- SYS export prices follow the Australian trend, and due to low Australian market prices, SYS' export prices were at their lowest level for many years during the investigation period and have now increased;
- SYS' domestic prices and hence normal value were stable during the investigation period and continue to be stable; and
- the sole reason for SYS' exports being dumped during the IP was the very low level of Australian HRS market prices.<sup>58</sup>

#### 12.2.2 Sanwa

Sanwa contended that the only appropriate form of duty for HRS is a singular ad valorem rate, primarily based on being effective in terms of:

- the simplest form of measures to administer; and
- dealing with differing models and types, including price variation over time.

Sanwa outlined a range of factors to support its view, for example volatility in the market based on supply and demand influences, input costs, exchange rates, price negotiations, payment and charges for differing sizes and shapes.<sup>59</sup>

<sup>58</sup> SYS submission dated 4 August 2014 (# 80 on the Public Record)



### 12.2.3 OneSteel

OneSteel lodged a number of submissions dated 5 August 2014, 13 August 2014 and 17 September 2014 in relation to the proposed form of measures, those advocated by other interested parties, and its view on the most appropriate form. OneSteel submitted that it is seeking measures based on the 'combination' duty method, involving both fixed and variable components to discourage circumvention opportunities and limit further injury to the Australian industry.

In response to the proposed ad valorem measures outlined in PAD 223 and SEF 223, OneSteel contended that ad valorem measures will not deter exporters from reducing export prices to 'increased injurious levels'.<sup>60</sup> OneSteel submitted that

*an ad valorem form of duty is applied to the actual export price ("DXP") of the goods. Where the actual export price of the goods falls below the Ascertained Export price ("AEP") from the investigation period, the ad valorem duty is based upon the lower DXP. Reductions in export prices will result in further material injury to the Australian industry – an outcome the imposition of measures was intended to prevent.*<sup>61</sup>

### 12.3 The Commission's assessment

The Commission recommends to the Parliamentary Secretary that dumping duties be taken in respect of HRS exported from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand, and be calculated as an ad valorem (i.e. a percentage of export price).

In determining the form of measures, the Commission has given consideration to the submissions lodged by interested parties, the Guidelines on the Application of Forms of Dumping Duty – November 2013 (available on the Commission's website) and relevant factors influencing the HRS market. In this investigation, the Commission considers an ad valorem form of duty appropriate for removing the injurious effects of dumping. The Commission notes that the cyclical nature of the HRS market, which involves price fluctuations, lends itself to this form of duty, and that unlike other forms of duty, there is no 'effective rate' impact.

The Commission considered the lesser duty in the context of the setting the NIP. The lesser duty rule can only reduce the amount of interim dumping duty where the NIP is lower than the ascertained normal value (the export price plus the dumping margin). For all goods, the NIP has been set at the level of the normal values for respective exporters. This means that the lesser duty rule does not come into effect and the proposed measures are linked to the full margin of dumping.

The Commission notes that section 5(7) of the *Customs Tariff (Anti-Dumping) Regulation 2013 (Tariff Regulation)* sets out the ad valorem duty method, whereby the rate is calculated as a percentage of the actual export price, without reference to the ascertained export price.

---

<sup>59</sup> Sanwa submission dated 8 August 2014 (# 87 on the Public Record)

<sup>60</sup> OneSteel submission dated 5 August 2014 (# 82 on the Public Record)

<sup>61</sup> OneSteel submission dated 5 August 2014 (# 82 on the Public Record)

## PUBLIC RECORD

With respect to OneSteel's claims that export prices may be lowered to avoid the effects of dumping duty, through verification of importer and exporter data for cooperating parties, the Commission determined that there was no evidence of:

- any consideration paid in respect of the goods other than their price;
- price being influenced by a commercial or any other relationship between buyer and seller; or
- any direct or indirect reimbursement or compensation in respect of, the whole or part of the price.

Accordingly, the Commission found that HRS transactions were conducted at arm's length.

In the context of arm's length transactions, the Commission is of the view that a claim stating that an exporter would seek to deliberately reduce its revenue by reducing its prices into the Australian market to avoid dumping duties is speculative. It is reasonable to conclude that this action would be contrary to expected normal commercial behaviour. Furthermore, any action undertaken by importers to undervalue commercial invoices, causing a false or misleading statement being communicated to ACBPS and resulting in the loss of duty<sup>62</sup> would be considered an offence under the Act.

Country	Exporter / Manufacturer	Level of securities
Japan	JFE Bars and Shapes Corporation	12.15%
	<i>Uncooperative exporters</i>	12.23%
Korea	Hyundai Steel Company	2.52%
	<i>Uncooperative exporters</i>	3.24%
Taiwan	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	18.28%
	<i>Uncooperative exporters</i>	19.48%

<sup>62</sup> s.243T relates to false or misleading statements resulting in a loss of duty

## 13 RECOMMENDATIONS

The Commissioner is satisfied that the dumping of HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand has caused material injury to the Australian industry producing like goods.

**The Commissioner recommends that the Parliamentary Secretary impose:**

- anti-dumping measures on HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand.

**The Commissioner recommends that the Parliamentary Secretary be satisfied:**

- in accordance with s.269TAB(3), that sufficient information has not been furnished, or is not available, to enable the export price of HRS exported to Australia from Japan and Korea by the category of 'uncooperative exporters' be determined under s.269TAB(1)(a), (b), or (c);
- in accordance with s.269TAC(6), sufficient information has not been furnished or is not available to enable the normal value of HRS exported to Australia from Japan and Korea to be ascertained under s.269TAC(1), (2), (5C) or (5D) for the category 'uncooperative exporters';
- in accordance with s. 269TAE(2C), that the effects of the exportation of goods to Australia can be assessed cumulatively from Japan, Korea, Taiwan and Thailand, having had regard to:
  - the conditions of competition between those goods; and
  - the conditions of competition between those goods and like goods that are domestically produced;
- in accordance with s.269TG(1) the amount of the export price of HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand is less than the amount of the normal value of those goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;
- in accordance with s.269TG(2) the amount of the export price of HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand is less than the amount of the normal value of those goods and the export price of the goods that may be exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand in the future may be less than the normal value of the goods and because of that, material injury to the Australian industry producing like goods has been, or is being caused;

**The Commissioner recommends that the Parliamentary Secretary determine:**

- in accordance with s. 269TAB(1)(c) the export prices for certain exports by JFE Bars and Shapes be calculated having regard to all the circumstances of the exportation;

## **PUBLIC RECORD**

- in accordance with s. 269TAB(3), the export prices for the categories of 'uncooperative exporters' of HRS exported to Australia from Japan and Korea be determined having regard to all relevant information;
- in accordance with s. 269TAC(6), normal values for the categories of 'uncooperative exporters' of HRS exporters to Australia from Japan and Korea having regard to all relevant information;
- in accordance with s. 269TACB(1) by comparison of the weighted average of export prices during the investigation period and the weighted average of normal values during that period, that exports of HRS from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand were dumped.

### **The Commissioner recommends that the Parliamentary Secretary direct:**

- in accordance with s. 269TAC(8), the price paid or payable for like goods sold in Japan, Korea, Taiwan and Thailand be taken to be such a price adjusted for differences between domestic and export sales to ensure a fair comparison.

### **The Commissioner recommends that the Parliamentary Secretary compare:**

- in accordance with s. 269TACB(2)(a), the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period.

### **The Commissioner recommends that the Parliamentary Secretary declare:**

- in accordance with s. 269TG(1), by public notice, that section 8 of the Dumping Duty Act applies to:
  - HRS exported all exporters from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand to the extent permitted by s. 269TN; and
  - like goods that were exported to Australia by all exporters from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand, after the Commissioner made a PAD under s. 269TD on 14 March 2014 but before publication of the notice, to the extent permitted by s. 269TN; and
- in accordance with s. 269TG(2), by public notice, that section 8 of the Dumping Duty Act applies to like goods that are exported to Australia by all exporters from Japan, Korea, Taiwan (except for Feng Hsin) and Thailand after the date of publication of the notice.

## 14 APPENDICES

<b>Non-Confidential Appendix 1</b>	Public notice
<b>Non-Confidential Appendix 2</b>	Submissions to SEF 223
<b>Non-Confidential Appendix 3</b>	HRS grades and standards
<b>Non-Confidential Appendix 4</b>	SYS' HRS grades and standards
<b>Confidential Appendix 1</b>	Assessment of the economic condition on the Australian industry
<b>Confidential Appendix 2</b>	Ascertained export prices, normal values and Non-Injurious Price
<b>Confidential Appendix 3</b>	Dumping margin calculations

**15 NON-CONFIDENTIAL APPENDIX 1**



Australian Government  
Anti-Dumping Commission

---

*Customs Act 1901 – Part XVB*

**Hot Rolled Structural Steel Sections**

**Exported from Japan, the Republic of Korea, Taiwan and the  
Kingdom of Thailand**

**Findings in Relation to a Dumping Investigation**

***Public notice under subsections 269TG (1) and (2) of the Customs Act 1901***

The Commissioner of the Anti-Dumping Commission (the Commissioner) has completed the investigation into the alleged dumping of hot rolled structural steel sections ("the goods" or "HRS"), exported to Australia from Japan, the Republic of Korea (Korea), Taiwan and the Kingdom of Thailand (Thailand).

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

- 7216.31.00 statistical code 30;
- 7216.32.00 statistical code 31;
- 7216.33.00 statistical code 32; and
- 7216.40.00 statistical code 33.

A full description of the goods is available in Anti-Dumping Notice (ADN) No. 2013/75, which is available on the internet at [www.adcommission.gov.au](http://www.adcommission.gov.au)

The Commissioner reported his findings and recommendations to me in *Anti-Dumping Commission Report No. 223* (REP 223). REP 223 outlines how the Anti-Dumping Commission (the Commission) carried out the investigation and recommends the publication of a dumping duty notice in respect of the goods.

Notice of my decision was published in *The Australian* newspaper and the *Commonwealth of Australia Gazette* on 20 November 2014.

Particulars of the dumping margins established and an explanation of the methods used to compare export prices and normal values to establish the dumping margins are also set out in the table below.

## PUBLIC RECORD

Country	Manufacturer/ exporter	Dumping margin and effective rate of duty	Duty Method	Method to establish dumping margin
Japan	JFE Bars and Shapes Corporation	12.15%	Ad valorem	Weighted average export prices were compared with corresponding normal values over the investigation period in terms of s.269TACB(2)(a) of the <i>Customs Act 1901 (the Act)</i> .
	Uncooperative Exporters	12.23%	Ad valorem	
Korea	Hyundai Steel Company	2.52%	Ad valorem	
	Uncooperative Exporters	3.24%	Ad valorem	
Taiwan	TS Steel Co Ltd	4.68%	Ad valorem	
	Tung Ho Steel Enterprise Corporation	2.20%	Ad valorem	
	Uncooperative Exporters	7.89%	Ad valorem	
Thailand	Siam Yamato Steel Co Ltd	18.28%	Ad valorem	
	Uncooperative Exporters	19.48%	Ad valorem	

*NB: Pursuant to s. 12 of the Customs Tariff (Anti-Dumping) Act 1975 (the Dumping Duty Act), conversion of securities to interim duty will not exceed the level of security taken.*

*The above table lists the effective rate of duty which in this case are equal to the dumping margins found, as the lesser duty rule pursuant to s. 8(5B) of the Dumping Duty Act in this case does not come into effect.*

*The effective rate of duty has been calculated in accordance with the ad valorem duty method.*

*The investigation as it relates to Feng Hsin Iron and Steel Co Ltd has been terminated, and imports to Australia manufactured by Feng Hsin Iron and Steel Co Ltd are free of dumping duty.*

I, ROBERT CHARLES BALDWIN, Parliamentary Secretary to the Minister for Industry, have considered, and accepted, the recommendations of the Commissioner, the reasons for the recommendations, the material findings of fact on which the recommendations are based and the evidence relied on to support those findings in REP 223.

I am satisfied, as to the goods that have been exported to Australia, that the amount of the export price of the goods is less than the normal value of those goods and because of that, material injury to the Australian industry producing like goods might have been caused if the security had not been taken. Therefore under s. 269TG(1) of the Act, I DECLARE that s. 8 of the Dumping Duty Act applies to:

- (i) the goods; and
- (ii) like goods that were exported to Australia after 14 March 2014 (when the Commissioner made a preliminary affirmative determination under s. 269TD of the



## PUBLIC RECORD

Act that there appeared to be sufficient grounds for the publication of a dumping duty notice) but before the publication of this notice.<sup>1</sup>

I am also satisfied that the amount of the export price of like goods that have already been exported to Australia is less than the amount of the normal value of those goods, and the amount of the export price of like goods that may be exported to Australia in the future may be less than the normal value of the goods and because of that, material injury to the Australian industry producing like goods has been caused or is being caused. Therefore under s. 269TG(2) of the Act, I DECLARE that s. 8 of the Dumping Duty Act applies to like goods that are exported to Australia after the date of publication of this notice.

This declaration applies in relation to all exporters of the goods and like goods from Japan, Korea, Taiwan (except for exports by Feng Hsin Iron and Steel Co Ltd) and Thailand.

The considerations relevant to my determination of material injury to the Australian industry caused by dumping are the size of the dumping margins, the effect of dumped imports on Australian industry prices and the consequent impact on the Australian industry including reduced revenues, price depression, price suppression, reduced profits and reduced profitability.

In making my determination, I have considered whether any injury to the Australian industry is being caused or threatened by a factor other than the exportation of dumped goods, and have not attributed injury caused by other factors to the exportation of those dumped goods.

Interested parties may seek a review of this decision by lodging an application with the Anti-Dumping Review Panel, in accordance with the requirements in Division 9 of Part XVB of the Act, within 30 days of the publication of this notice.

Particulars of the export prices, non-injurious prices, and normal values of the goods (as ascertained in the confidential tables to this notice) will not be published in this notice as they may reveal confidential information.

Clarification about how anti-dumping measures are applied to 'goods on the water' is available in Australian Customs Dumping Notice No. 2012/34, available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

REP 223 and other documents included in the public record may be examined at the Commission's office by contacting the case manager on the details provided below. Alternatively, the public record is available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Enquiries about this notice may be directed to the case manager on telephone number +61 3 9244 8270, fax number +61 3 9244 8902 or email at [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au).

Dated this 7<sup>th</sup> day of November 2014

ROBERT CHARLES BALDWIN  
Parliamentary Secretary to the Minister for Industry

---

<sup>1</sup> Within the time limitations of section 45 of the Act.



**PUBLIC RECORD**

**16 NON-CONFIDENTIAL APPENDIX 2**

<b>Date</b>	<b>Submission from</b>	<b>Submission Title</b>	<b>EPR No.</b>
5/8/14	Roger D Simpson and Associates on behalf of Siam Yamato Steel Pty Ltd	Hot rolled structural steel sections from Japan, Korea, Taiwan and Thailand	79
5/8/14	Roger D Simpson and Associates on behalf of Siam Yamato Steel Pty Ltd	Hot rolled structural steel sections from Japan, Korea, Taiwan and Thailand	80
6/8/14	Mobile Business Consultants on behalf of Tung Ho Steel Enterprise Corporation;	Dumping investigation ADC 223 - Hot rolled structural steel sections from Japan, Korea, Taiwan and Thailand	81
6/8/14	Australian Industry – OneSteel Manufacturing Pty Ltd	Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand – OneSteel response to Statement of Essential Facts No.223	82
6/8/14	Roger D Simpson and Associates on behalf of Siam Yamato Steel Pty Ltd	Hot rolled structural steel sections from Japan, Korea, Taiwan and Thailand	83
11/08/14	Clayton Utz on behalf of Nippon Steel and Sumitomo Metal Corporation	Investigation 223 Dumping of hot rolled structural steel sections exported from Japan, the Republic of Korea, Taiwan and the Kingdom of Thailand	84
14/08/14	Australian Industry – OneSteel Manufacturing Pty Ltd	Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand – Submissions on behalf of Siam Yamato Steel Co., Ltd of 31 <sup>st</sup> July 2014 and the 4 <sup>th</sup> August 2014	86
20/8/14	Importer – Sanwa Pty Ltd	Sanwa submission	87
28/8/14	Roger D Simpson and Associates on behalf of Siam Yamato Steel Pty Ltd	Hot rolled structural steel sections from Japan, Korea, Taiwan and Thailand	88
11/9/14	Foreign Government – Government of Thailand	Subject: An anti-dumping investigation into alleged dumping of Hot Rolled Structural Steel Section (HRS) originating in the Kingdom of Thailand	90

**REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND THE KINGDOM OF THAILAND**

## PUBLIC RECORD

Date	Submission from	Submission Title	EPR No.
22/9/14	Australian Industry – OneSteel Manufacturing Pty Ltd	Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand – Submissions on behalf of SANWA and SYS	91
22/9/14	Australian Industry – OneSteel Manufacturing Pty Ltd	Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand – Submissions by Government of Thailand	92

## 17 ON-CONFIDENTIAL APPENDIX 3

### HRS grades and standards

The tables below illustrate the focus of the investigation as the Commission conducted product comparisons in determining the most comparable goods to the goods exported to Australia based on stakeholders' submissions. The Commission examined a broad range of grades, and a selection of the most commonly sold grades from each market are outlined below.

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

International standards applicable to HRS specify required mechanical properties (yield and tensile strength) and chemical properties. Yield strength, measured in megapascals (MPa) represents the upper limit of the load that can be applied before permanent deformation occurs, whilst tensile strength, also measured in MPa, measures the point at which the structural beam breaks. Standards often prescribed the chemical composition of HRS, which may include the following: carbon, silicon, manganese, phosphorous, sulphur and others.

The Commission compared the AS/NZS 3679.1 specifications to the international standards applicable to HRS and found in the exporters' domestic markets that standards applicable to HRS provide a range of mechanical and chemical properties.

Standard	Yield strength	Tensile strength	Carbon content	Silicon content	Manganese content	Phosphorous content
JIS G3101 (SS400)	245MPa	400-510MPa	Not specified	Not specified	Not specified	Specified
AS/NZS 3679.1 (G300)	300MPa	440MPa	Specified	Specified	Specified	Specified
JIS G3136 (SM490A/B)	325MPa	490-610MPa	Specified	Specified	Specified	Specified

## 18 NON CONFIDENTIAL APPENDIX 4

## PRODUCT SPECIFICATIONS

(Structural Steel and Sheet Pile )

## SPECIFICATIONS

Type of Product	Classifications		Mechanical Properties								
			Yield Point N/mm <sup>2</sup> (min.)		Tensile Strength	Yield Ratio%	Elongation % (min.)			Impact	
			Thickness				N/mm <sup>2</sup>	(max.)	Thickness		
			t ≤ 16	16 < t ≤ 40		t ≤ 5			5 < t ≤ 16	t > 16	Temp °C
Structural Steel	JIS G 3101 <sup>A</sup> : 2004	SS400	245	235	400-510	-	21	17	21	-	-
		SS490	285	275	490-610	-	19	15	19	-	-
		SS540	400	390	540 min.	-	16	13	17	-	-
	JIS G 3106 : 2004	SM400A	245	235	400-510	-	23	18	22	-	-
		SM400B	245	235	400-510	-	23	18	22	0	27
		SM490A	325	315	490-610	-	22	17	21	-	-
		SM490B	325	315	490-610	-	22	17	21	0	27
		SM490YA	365	355	490-610	-	19	15	19	-	-
		SM490YB	365	355	490-610	-	19	15	19	0	27
		SM520B	365	355	520-640	-	19	15	19	0	27
		SM520C	365	355	520-640	-	19	15	19	0	47
		SM570	460	450	570-720	-	19	19	26	-5	47
	JIS G 3136 : 2005	SN400A	235	235	400-510	-	17	17	21	-	-
		SN400B	235-355 <sup>B</sup>	235-355	400-510	80 <sup>C</sup>	18	18	22	27	27
		SN490B	325-445 <sup>B</sup>	325-445	490-610	80 <sup>C</sup>	17	17	21	27	27
	BS 4360 : 1986	43A	275	265	430-580	-	20	20	20	-	-
		43B	275	265	430-580	-	20	20	20	+20	27
		43C	275	265	430-580	-	20	20	20	0	27
		43D	275	265	430-580	-	20	20	20	-20	27
		50A	355	345	490-640	-	18	18	18	-	-
		50B	355	345	490-640	-	18	18	18	+20	27
		50C	355	345	490-640	-	18	18	18	0	27
		50D	355	345	490-640	-	18	18	18	-20	27
		50E <sup>D</sup>	355	345	490-640	-	18	18	18	-40	27
		55C <sup>D</sup>	450	430	550-700	-	17	17	17	0	27
	BS EN 10025-2 <sup>G</sup> : 2004	S235JR	235	225	360-510	-	-	26	-	+20	27 <sup>E</sup>
		S235J0	235	225	360-510	-	-	26	-	0	27
		S235J2	235	225	360-510	-	-	24	-	-20	27
		S275JR	275	265	410-560	-	-	23	-	+20	27 <sup>E</sup>
		S275J0	275	265	410-560	-	-	23	-	0	27
		S275J2	275	265	410-560	-	-	21	-	-20	27
		S355JR	355	345	470-630	-	-	22	-	+20	27 <sup>E</sup>
		S355J0	355	345	470-630	-	-	22	-	0	27
		S355J2	355	345	470-630	-	-	22	-	-20	27
		S355K2	355	345	470-630	-	-	20	-	-20	40
		S450J0 <sup>D</sup>	450	430	550-720	-	-	17	-	0	27

## Remark

- A : Bend test on material grades SS400, SS490, SS540, St33, St37-2, St44-2 and St52-3.  
 B : For the H section, when the t1 is 9 mm, or less, the upper limit of the yield point or proof stress shall not be applied.  
 C : For the H section, when the t1 is 9 mm, or less, the upper limit of the yield ratio shall be 85%.  
 D : Please contact us in advance for these items.  
 E : Verified only when specified at the time of order.  
 F : For grade 50 steel of thicknesses 20 mm. and less, the tensile strength shall be a minimum of 485 Mpa  
 G : Delivery condition type is +AR



SIAM YAMATO STEEL CO., LTD.

1 Siam Cement Road, Bangsue,  
Bangkok, 10800, Thailand

Tel: (662) 586-2472-3, (662) 586-2371-2

Fax: (662) 586-5224

www.syssteel.com

02

REP 223 HOT ROLLED STRUCTURAL STEEL SECTIONS – JAPAN, THE REPUBLIC OF KOREA,  
TAIWAN AND THE KINGDOM OF THAILAND

# PRODUCT SPECIFICATIONS

(Structural Steel and Sheet Pile )

## SPECIFICATIONS

Type of Product	Classifications	Chemical Compositions ( ladle analysis ), %													
		C	SI	Mn	P	S	CE <sup>F</sup>	SW <sup>F</sup>	Nb	V	N	Cu	Ni	Cr	Mo
		(max.)			(max.)	(max.)	(max.)	(max.)			(max.)	(max.)	(max.)	(max.)	(max.)
Structural Steel	JIS G 3101 : 2004	SS400	-	-	-	0.050	0.050	-	-	-	-	-	-	-	-
		SS490	-	-	-	0.050	0.050	-	-	-	-	-	-	-	-
		SS540	0.30	-	1.60 Max.	0.040	0.040	-	-	-	-	-	-	-	-
		SM400A	0.23	-	2.50°C min.	0.035	0.035	-	-	-	-	-	-	-	-
	JIS G 3106 : 2004	SM400B	0.20	0.35 Max.	0.60 -1.40	0.035	0.035	-	-	-	-	-	-	-	-
		SM490A	0.20	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM490B	0.18	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM490YA	0.20	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM490YB	0.20	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM520B	0.20	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM520C	0.20	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	-	-	-	-	-
		SM570	0.18	0.55 Max.	1.60 Max.	0.035	0.035	0.44	-	-	-	-	-	-	-
	JIS G 3136 : 2005	SN400A	0.24	-	-	0.050	0.050	-	-	-	-	-	-	-	-
		SN400B	0.20	0.35 Max.	0.60-1.40	0.030	0.015	0.36	0.26	-	-	-	-	-	-
		SN490B	0.18	0.55 Max.	1.60 Max.	0.030	0.015	0.44	0.29	-	-	-	-	-	-
		43A	0.25	0.50 Max.	1.60 Max.	0.050	0.050	-	-	-	-	-	-	-	-
	BS 4360 : 1986	43B	0.21	0.50 Max.	1.50 Max.	0.050	0.050	-	-	-	-	-	-	-	-
		43C	0.18	0.50 Max.	1.50 Max.	0.050	0.050	0.41	-	-	-	-	-	-	-
		43D	0.18	0.50 Max.	1.50 Max.	0.050	0.050	0.41	-	-	-	-	-	-	-
		50A	0.23	0.50 Max.	1.60 Max.	0.050	0.050	-	-	0.003-0.100	0.003-0.100	-	-	-	-
		50B	0.20 <sup>B</sup>	0.50 Max.	1.50 <sup>A</sup>	0.050	0.050	-	-	0.003-0.100	0.003-0.100	-	-	-	-
		50C	0.20 <sup>B</sup>	0.50 Max.	1.50 <sup>A</sup>	0.050	0.050	0.45	-	0.003-0.100	0.003-0.100	-	-	-	-
		50D	0.18 <sup>C</sup>	0.50 Max.	1.50 <sup>A</sup>	0.040	0.040	0.43	-	0.003-0.100	0.003-0.100	-	-	-	-
		50E	0.18 <sup>C</sup>	0.10 - 0.50	1.50 <sup>A</sup>	0.040	0.040	0.43	-	0.003-0.100	0.003-0.100	-	-	-	-
	BS EN 10025-2 : 2004	55C	0.22	0.60 Max.	1.60 Max.	0.040	0.040	0.51 <sup>L</sup>	-	0.003-0.100	0.003-0.200	-	-	-	-
		S235JR	0.17	-	1.40 Max.	0.035	0.035	-	-	-	0.012	0.55	-	-	-
		S235J0	0.17	-	1.40 Max.	0.030	0.030	-	-	-	0.012	0.55	-	-	-
		S235J2	0.17	-	1.40 Max.	0.025	0.025	-	-	-	-	0.55	-	-	-
		S275JR	0.21	-	1.50 Max.	0.035	0.035	-	-	-	0.012	0.55	-	-	-
		S275J0	0.18	-	1.50 Max.	0.030	0.030	-	-	-	0.012	0.55	-	-	-
		S275J2	0.18	-	1.50 Max.	0.025	0.025	-	-	-	-	0.55	-	-	-
		S355JR	0.24	0.55 Max.	1.60 Max.	0.035	0.035	-	-	-	0.012	0.55	-	-	-
		S355J0	0.20	0.55 Max.	1.60 Max.	0.030	0.030	-	-	-	0.012	0.55	-	-	-
		S355J2	0.20	0.55 Max.	1.60 Max.	0.025	0.025	-	-	-	-	0.55	-	-	-
		S355K2	0.20	0.55 Max.	1.60 Max.	0.025	0.025	-	-	-	-	0.55	-	-	-
		S450J0	0.20	0.55 Max.	1.70 Max.	0.030	0.030	-	-	0.05 Max.	0.13 Max.	0.025	0.55	-	-

### Remark

- A : It is permissible to vary the carbon and manganese contents (ladle analysis) for grades 50B, 50C, 50D and 50E on the basis of an increase of 0.06% manganese for each decrease of 0.01% carbon vice versa up to maximum manganese content of 1.60% and a maximum carbon content of 0.22% for grades 50B and 50C and 0.20% for grades 50D and 50E.
- B : For grades 50B and 50C over 16 mm. thick, a maximum carbon content of 0.22% for ladle is permitted
- C : For grades 50D and 50E over 16 mm. thick, a maximum carbon content of 0.20% for ladle is permitted
- D : For grades 355D over 16 mm. thick, a maximum carbon content of 0.20% for ladle is permitted
- E : The carbon and manganese contents may be varied (ladle analysis) for grades 355D on the basis of an increase of 0.06% manganese for each decrease of 0.01% a maximum carbon content of 0.20%
- F : %Cu min 0.20 when copper steel is specified
- G : For each reduction of 0.01% point below the specified carbon maximum, an increase of 0.06% point manganese above the specified maximum is permitted, up to a maximum of 1.60%
- H : The following elements may be present to the limits stated, subject to a maximum total of 1.00% Cu max. 0.50%, Ni max. 0.50%, Cr max. 0.30%, Mo max. 0.10%
- I : Carbon Equivalent : (JIS Version) CE = C+Mn/6+Si/24+Ni/40+Cr/5+Mo/4+V/14 (AS, ASTM, BS Standard) CE = C+Mn/6+(Cr+Mo+V)/5+(Ni+Cu)/15
- J : Chemical composition on sensitivity of welding crack = C+Si/30+Mn/20+Cu/20+Ni/60+Cr/20+Mo/15+V/10+5B
- K : The maximum total of C and Mn/6 is 0.40%
- L : Maximum %CEV 0.51 when t < 19mm.
- M : The maximum total of Cu, Ni, Cr and Mo is 0.80%
- N : The maximum total of Nb and V is 0.10% and the Max. Al(Total) Content is 0.06%
- O : The maximum total of Nb, V and Ti is 0.12%
- P : Maximum of the Aluminium Total content is 0.06%
- Q : The maximum total of Nb and V is 0.15%
- R : The max. carbon content for t < 16 mm. is 0.17%
- S : Niobium content shall be 0.005-0.050% or Vanadium content shall be 0.01-0.15%



**SIAM YAMATO STEEL CO., LTD.**  
 1 Siam Cement Road, Bangsue,  
 Bangkok, 10800, Thailand  
 Tel: (662) 586-2472-3, (662) 586-2371-2  
 Fax: (662) 586-5224  
 www.syssteel.com

03



# PRODUCT SPECIFICATIONS

(Structural Steel and Sheet Pile )

## SPECIFICATIONS

Type of Product	Classifications	Mechanical Properties										
		Yield Point N/mm <sup>2</sup> (min.)		Tensile Strength	Yield Ratio%	Elongation % (min.)			Impact			
		Thickness				N/mm <sup>2</sup>	(max.)	Thickness				
		t ≤ 16	16 < t ≤ 40					t ≤ 5	5 < t ≤ 16	t > 16	Temp°C	Energy J (min.)
Structural Steel	BS 7191 :1989	355D <sup>D</sup>	355	345	490-640	-		18		-20	50	
		355EM <sup>D</sup>	355	345	460-620	-		18		-40	50	
		355EMZ <sup>D</sup>	355	345	460-620	-		18		-40	50	
	ASTM A36/A36M : 2005	A36	250		400-550	-		20		-	-	
	ASTM A992/A992M : 2006a	A992	345-450		450min.	85		18		-	-	
	ASTM A572/A572M : 2007	A572 Gr.42	290		415 min.	-		20		-	-	
		A572 Gr.50	345		450 min. <sup>F</sup>	-		18		-	-	
		A572 Gr.55 <sup>D</sup>	380		485 min.	-		17		-	-	
		A572 Gr.60 <sup>D</sup>	415		520 min.	-		16		-	-	
		A572 GR.65 <sup>D</sup>	450		550 min.	-		15		-	-	
	DIN 17100:1980 <sup>A</sup>	St33	185	175	290 min.	-		18		-	-	
		St37-2	235	225	340-470	-		26		+20	27	
		St44-2	275	265	410-540	-		22		+20	27	
		St50-2	295	285	470-610	-		20		-	-	
		St52-3	355	345	490-630	-		22		0	27	
		St60-2 <sup>D</sup>	335	325	570-710	-		16		-	-	
	AS/NZS 3679.1 : 2000		t<11	11 ≤ t ≤ 17	17<t<40							
		250	260	250	250	410 min.	-		22		-	
		250L0	260	250	250	410 min.	-		22		0	
		250L15	260	250	250	410 min.	-		22		-15	
		300	320	300	280	440 min.	-		22		-	
		300L0	320	300	280	440 min.	-		22		0	
		300L15	320	300	280	440 min.	-		22		-15	
		350	360	340	340	480 min.	-		20		-	
		350L0	360	340	340	480 min.	-		20		0	
		350L15	360	340	340	480 min.	-		20		-15	
		ABS Materials and Welding 2009	A	235		400-550	-		22		+20	-
			B	235		400-520	-		22		0	27
			D	235		400-520	-		22		-20	27
	E <sup>D</sup>		235		400-520	-		22		-40	27	
	AH32		315		440-590	-		22		0	31	
	DH32		315		440-590	-		22		-20	31	
	EH32 <sup>D</sup>		315		440-590	-		22		-40	31	
	AH36		355		490-620	-		21		0	34	
	DH36		355		490-620	-		21		-20	34	
	EH36 <sup>D</sup>		355		490-620	-		21		-40	34	
	AH40		390		510-650	-		20		0	39	
	DH40		390		510-650	-		20		-20	39	
	EH40 <sup>D</sup>		390		510-650	-		20		-40	39	
Sheet Pile	JIS A 5528 : 2000	SY295	295		490 min	-		17		-	-	
		SY390	390		540 min	-		15		-	-	

### Remark

- A : Bend test on material grades SS400, SS490, SS540, St33, St37-2, St44-2 and St52-3.  
 B : For the H section, when the t1 is 9 mm. or less, the upper limit of the yield point or proof stress shall not be applied.  
 C : For the H section, when the t1 is 9 mm. or less, the upper limit of the yield ratio shall be 85%.  
 D : Please contact us in advance for these items.  
 E : Verified only when specified at the time of order.  
 F : For grade 50 steel of thicknesses 20 mm. and less, the tensile strength shall be a minimum of 485 Mpa  
 G : Delivery condition type is +AR



**SIAM YAMATO STEEL CO., LTD.**  
 1 Siam Cement Road, Bangsue,  
 Bangkok, 10800, Thailand  
 Tel: (662) 586-2472-3, (662) 586-2371-2  
 Fax: (662) 586-5224  
 www.syssteel.com

# 04

# PRODUCT SPECIFICATIONS

(Structural Steel and Sheet Pile )

SPECIFICATIONS

Type of Product	Classifications		Chemical Compositions (ladle analysis),%																
			C	Si	Mn	P	S	CE <sup>E</sup>	SW <sup>F</sup>	Nb	V	N	Cu	Ni	Cr	Mo	Grain refining element	Micro-alloying element	
			(max.)			(max.)	(max.)	(max.)	(max.)			(max.)	(max.)	(max.)	(max.)	(max.)	(max.)	(max.)	
Structural Steel	BS 7191 :1989	355D <sup>N</sup>	0.18 <sup>D</sup>	0.10 - 0.50	1.50 <sup>E</sup>	0.040	0.040	0.43	-	0.003 - 0.100	0.003 - 0.100	-	-	-	-	-	-	-	
		355EM <sup>MN</sup> OP	0.18	0.25 - 0.55	1.60Max.	0.025	0.015	0.43	-	0.04Max.	0.08Max.	0.014	0.35	0.30	0.25	0.08	-	-	
		355EMZ <sup>MN</sup> OP	0.18	0.25 - 0.55	1.60Max.	0.025	0.008	0.43	-	0.04Max.	0.08Max.	0.014	0.35	0.30	0.25	0.08	-	-	
	ASTM A36/A36M <sup>F</sup> : 2005	A36	0.26	0.40Max.	-	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
	ASTM A992/A992M : 2004a <sup>G</sup>	A992	0.23	0.40Max.	0.50 - 1.50	0.035	0.045	0.45	-	0.05Max.	0.15Max.	-	0.6	0.45	0.35	0.15	-	-	
	ASTM A572/A572M : 2007 <sup>G</sup>	A572 Gr.42	0.21	0.40Max.	1.35 <sup>G</sup>	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
		A572 Gr.50	0.23	0.40Max.	1.35 <sup>G</sup>	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
		A572 Gr.55	0.25	0.40Max.	1.35 <sup>G</sup>	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
		A572 Gr.60	0.26	0.40Max.	1.35 <sup>G</sup>	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
		A572 GR.65	0.23	0.40Max.	1.65Max.	0.040	0.050	-	-	-	-	-	-	-	-	-	-	-	
	DIN 17100 : 1980	St33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		St37-2 <sup>R</sup>	0.20	-	-	0.050	0.050	-	-	-	-	-	0.009	-	-	-	-	-	
		St44-2	0.21	-	-	0.050	0.050	-	-	-	-	-	0.009	-	-	-	-	-	
		St50-2	0.30	-	-	0.050	0.050	-	-	-	-	-	0.009	-	-	-	-	-	
		St52-3	0.20	-	-	0.040	0.040	-	-	-	-	-	-	-	-	-	-	-	
		St60-2	0.40	-	-	0.050	0.050	-	-	-	-	-	0.009	-	-	-	-	-	
	AS/NZS <sup>H</sup> 3679.1 : 2000	250	0.25	0.40Max.	-	0.040	0.040	0.43	-	-	-	-	-	-	-	-	-	0.15	-
		250L0	0.20	0.40Max.	1.50Max.	0.040	0.040	0.42	-	-	-	-	-	-	-	-	-	0.15	-
		250L15	0.20	0.40Max.	1.50Max.	0.040	0.040	0.42	-	-	-	-	-	-	-	-	-	0.15	-
		300	0.25	0.50Max.	1.60Max.	0.040	0.040	0.44	-	-	-	-	-	-	-	-	-	0.15	-
		300L0	0.25	0.50Max.	1.60Max.	0.040	0.040	0.44	-	-	-	-	-	-	-	-	-	0.15	-
		300L15	0.25	0.50Max.	1.60Max.	0.040	0.040	0.44	-	-	-	-	-	-	-	-	-	0.15	-
		350	0.22	0.50Max.	1.60Max.	0.040	0.040	0.45	-	-	-	-	-	-	-	-	-	0.15	0.15
		350L0	0.22	0.50Max.	1.60Max.	0.040	0.040	0.45	-	-	-	-	-	-	-	-	-	0.15	0.15
		350L15	0.22	0.50Max.	1.60Max.	0.040	0.040	0.45	-	-	-	-	-	-	-	-	-	0.15	0.15
	ABS Materials and Welding 2009	A <sup>K</sup>	0.21	0.50 Max.	250C <sub>TMF</sub>	0.035	0.035	-	-	-	-	-	-	-	-	-	-	-	-
		B <sup>K</sup>	0.21	0.35Max.	0.80Max.	0.035	0.035	-	-	-	-	-	-	-	-	-	-	-	-
		D <sup>K</sup>	0.21	0.10-0.35	0.60Max.	0.035	0.035	-	-	-	-	-	-	-	-	-	-	-	-
		E <sup>K</sup>	0.18	0.10-0.35	0.70Max.	0.035	0.035	-	-	-	-	-	-	-	-	-	-	-	-
		AH32	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		DH32	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		EH32	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		AH36	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		DH36	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		EH36	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		AH40	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		DH40	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
		EH40	0.18	0.10-0.50	0.90-1.60	0.035	0.035	-	-	-	0.020-0.050	0.050-0.100	-	0.35	0.40	0.20	0.08	0.015	0.02
Sheet Pile	JIS A 5528 : 2006	SY295	-	-	-	0.040	0.040	-	-	-	-	-	-	-	-	-	-	-	
		SY390	-	-	-	0.040	0.040	-	-	-	-	-	-	-	-	-	-	-	

## Remark

- A : It is permissible to vary the carbon and manganese contents (ladle analysis) for grades 50B, 50C, 50D and 50E on the basis of an increase of 0.06% manganese for each decrease of 0.01% carbon vice versa up to maximum manganese content of 1.60% and a maximum carbon content of 0.22% for grades 50B and 50C and 0.20% for grades 50D and 50E.
- B : For grades 50B and 50C over 16 mm. thick, a maximum carbon content of 0.22% for ladle is permitted
- C : For grades 50D and 50E over 16 mm. thick, a maximum carbon content of 0.20% for ladle is permitted
- D : For grades 355D over 16 mm. thick, a maximum carbon content of 0.20% for ladle is permitted
- E : The carbon and manganese contents may be varied (ladle analysis) for grades 355D on the basis of an increase of 0.06% manganese for each decrease of 0.01% a maximum carbon content of 0.20%
- F : %Cu min 0.20 when copper steel is specified
- G : For each reduction of 0.01% point below the specified carbon maximum, an increase of 0.06% point manganese above the specified maximum is permitted, up to a maximum of 1.60%
- H : The following elements may be present to the limits stated, subject to a maximum total of 1.00% Cu max. 0.50%, Ni max. 0.50%, Cr Max 0.30%, Mo Max. 0.10%
- I : Carbon Equivalent : (JIS Version) CE = C+Mn/6+Si/24+N/40+Cr/5+Mo/4+V/14 (AS, ASTM, BS Standard) CE=C+Mn/6+(Cr+Mo+V)/5+(Ni+Cu)/15
- J : Chemical composition on sensitivity of welding crack = C+Si/30+Mn/20+Cu/20+N/60+Cr/20+Mo/15+V/10+5B
- K : The maximum total of C and Mn/6 is 0.40%
- L : Maximum %CEV 0.51 when t < 19mm.
- M : The maximum total of Cu, Ni, Cr and Mo is 0.80%
- N : The maximum total of Nb and V is 0.10% and the Max. Al(Total) Content is 0.06%
- O : The maximum total of Nb, V and Ti is 0.12%
- P : Maximum of the Aluminium Total content is 0.06%
- Q : The maximum total of Nb and V is 0.15%
- R : The max. carbon content for t < 16 mm. is 0.17%
- S : Niobium content shall be 0.005-0.050% or Vanadium content shall be 0.01-0.15%



**SIAM YAMATO STEEL CO., LTD.**  
 1 Siam Cement Road, Bangsue,  
 Bangkok, 10800, Thailand  
 Tel: (662) 586-2472-3, (662) 586-2371-2  
 Fax: (662) 586-5224  
 www.syssteel.com

05