



Australian Government
Anti-Dumping Commission

**INVESTIGATION INTO THE ALLEGED DUMPING OF HOT
ROLLED PLATE STEEL**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA
(CHINA), THE REPUBLIC OF INDONESIA (INDONESIA),
JAPAN, THE REPUBLIC OF KOREA (KOREA) AND TAIWAN**

AND

**ALLEGED SUBSIDISATION OF HOT ROLLED PLATE
STEEL EXPORTED FROM CHINA**

DUMPING MARGIN CALCULATION

CHUNG HUNG STEEL CORPORATION

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

July 2013

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2 BACKGROUND

2.1 Application

On 21 December 2012, an application was lodged on behalf of BlueScope requesting that the Minister for Home Affairs (the Minister) publish:

- a dumping duty notice on hot rolled plate steel (plate steel) exported to Australia from China, Indonesia, Japan, Korea and Taiwan; and
- a countervailing duty notice on plate steel exported to Australia from China.

BlueScope alleges that the Australian industry has suffered material injury caused by plate steel exported to Australia from the nominated countries at dumped and, in the case of China, subsidised prices.

BlueScope provided further information and data in support of its application, the last of which was received on 29 January 2013. As a result, Customs and Border Protection restarted the 20 day period for considering the application.

On 12 February 2013, following consideration of the application, the CEO decided not to reject the application and Australian Customs and Border Protection Service (ACBPS) initiated an investigation¹. Public notification of initiation of the investigation was made in The Australian newspaper on 12 February 2013. Australian Customs Dumping Notice (ACDN) No. 2013/18 provides further details of the investigations and is available on the Commission's website at <http://www.adcommission.gov.au>

2.2 Background

Following initiation of the investigation, a search of ACBPS's import database indicated that Chung Hung Steel Corporation (CHS) supplied plate steel from Taiwan to Australia in the period 1 January 2011 to 31 December 2011 (the investigation period).

The Commission notified CHS of the initiation of the investigation and sought its cooperation with the investigation and provided access to the exporter questionnaire in respect of plate steel for the company to complete. The company completed the exporter questionnaire and the non-confidential version of the questionnaire response is available on the public record.

2.3 Purpose of this report

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

¹ From 1 July 2013 the previous International Trade Remedies Branch of Australian Customs and Border Protection Service is now known as the Anti-Dumping Commission

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The purpose of this report is to assess CHS's exporter questionnaire responses and to make a preliminary assessment of:

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

2.4 Company background

According to the exporter questionnaire response, CHS is publicly traded company listed on the Taiwan Stock Exchange, with China Steel Corporation (CSC) owning 40.59% of shares through direct and indirect ownership.

CHS was established in 1983 as a manufacturer of steel products. CHS's main products include hot rolled coil, cold rolled coil, pickled and oiled coil, skin pass coil, galvanised coil, black pipe, rectangular pipe, galvanized pipe, API pipe, PE coated pipe etc.

CHS's exporter questionnaire stated that it produces and sells plate steel to Australia and to some third countries; however this is not a main product for CHS. CHS stated that it does not sell plate steel on the domestic market.

2.5 Accounting

The exporter questionnaire responses state that CHS's financial accounting period is from 1 January to 31 December. CHS provided copies of its chart of accounts and annual reports.

The exporter questionnaire response states that the financial accounting practices and policies used by CHS are in line with the generally accepted accounting principles of Taiwan.

3 GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods the subject of the application

3.1.1 Description

The imported goods the subject of the application are:

Flat rolled products of:

- iron;
- non-alloy steel; or
- non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from this application are:

- 250 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;
- 350 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 100mm;
- Q&T Green Feed grades of plate steel with a thickness greater than 105mm;
- heat treated Q & T grades of plate steel.

3.1.2 Tariff classifications

The application states that plate steel is classified to the following tariff subheadings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40; and
- 7208.52.00 statistical code 41.

the general rate of duty is currently 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia.

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There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading which covers plate steel.

3.2 Like goods

Subsection 269T(1) defines like goods to mean:

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

As noted above, CHS's exporter questionnaire response stated that it does not sell plate steel in its domestic market.

CHS provided details of its third country sales of plate steel. In relation to sales to Indonesia CHS compared the characteristics of the plate steel sold to Indonesia with sales to Australia.

As noted below, the Commission considers that volume of sales CHS has made to third countries is not suitable for a normal value assessment in terms of subsection 269TAC(2)(d) and (3).

3.2.1 Like goods – preliminary assessment

Because there are no like goods produced and sold domestically by CHS in terms of subsection 269T(1), normal values cannot be assessed under subsection 269TAC(1).

4 EXPORT SALES TO AUSTRALIA

4.1 General

From its questionnaire response, it appears that plate steel manufactured by CHS is sold by CHS to [REDACTED] in Taiwan ([REDACTED]) whose Australian customer from the bill of lading appears to be [REDACTED] and to a distributor in Australia ([REDACTED]).

CHS exporter questionnaire response states that it is not related to any of its Australian customers. From the information provided in the questionnaire response there is no evidence that CHS is related to any of its Australian customers.

CHS provided a spreadsheet containing a detailed listing of all export sales to Australia. It also provided the following source documents of two export transactions:

- Print out from internal ordering system;
- Sales contract ;
- Commercial invoice;
- Packing list;
- Bill of lading;
- Certificate of origin;
- Specification certificate;
- Invoice for shipping charge;
- Invoice for loading and handling fees;
- Voucher of revenue;
- Invoice for export surveyor fee;
- Invoice for customs brokerage fee;
- Invoice for harbour service fee;
- Invoice for trade promotion fee; and
- Bank settlement advice.

CHS supplied information in regards to the plate steel it produces which is summarised in the table below:

CONFIDENTIAL TABLE REMOVED

CHS indicated that grades [REDACTED] and [REDACTED] are similar to [REDACTED]. Grade [REDACTED] is equivalent to [REDACTED].

4.2 The exporter

It appears that CHS is the exporter of plate steel exported to Australia from Taiwan as CHS:

- is the manufacturer of the goods;

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- owned the goods at the time of export;
- is the principal in the transaction located in the country of export from where the goods were shipped; and
- sent the goods for export to Australia, and it appears from the bill of lading that CHS was aware in the case of the sales through the trader [REDACTED] of the identity of the Australian customer.

4.3 The importer

It appears that the Australian customer of CHS was the beneficial owner of the goods at the time of importation. The beneficial owner is considered to be the one who was entitled to all the benefits associated with ownership even though they may not be the legal owner of the goods.

CHS's customers purchase plate steel at free-on-board (FOB) terms and therefore arrange and pay ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port. CHS's customers are also named as the consignee and/or the notify party on the bill of lading.

4.4 Export price – preliminary assessment

In relation to sales to [REDACTED] it appears that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter. Therefore, the export price has been determined under s. 269TAB(1)(a) using the invoiced price by CHS less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

In respect of sales of plate steel to Australia via the trader [REDACTED], the goods have not been purchased by importer from the exporter; therefore export prices have been determined having regard to all the circumstances of the exportation in accordance with s. 269TAB(1)(c).

The weighted average quarterly FOB export price in USD is summarised in the table below:

CONFIDENTIAL TABLE REMOVED

Details of the export price calculations and summary export prices are at **confidential appendix 1**.

5 COST TO MAKE & SELL

In its exporter questionnaire response, CHS provided a cost to make and sell spreadsheet for plate steel exported to Australia. The spreadsheet shows quarterly costs data for each of the three models exported to Australia.

In addition CHS provided a series of reconciliation spreadsheets to tie its cost to make and sell spreadsheet to its audit accounts, refer to **confidential attachment 5.1**. As part of this upwards reconciliation, CHS selected the model 'hot rolled plate checked' and the fourth quarter of 2012. CHS provided a cost centre statement for December 2012, demonstrating the tolling cost as stated in the cost to make and sell spreadsheet

([REDACTED]).[*confidential tolling details*] This subcontracted tolling cost was then identified in the ledger statement for January to December 2012, the total cost of goods sold in this ledger statement reconciled to the operating cost as stated in the Audited Financial statement for 2012.

CHS also provided a worksheet to substantiate its SG&A costs, refer to **confidential attachment 5.2**. This worksheet showed that CHS had calculated a sales ratio of the goods under consideration from the sale value of all products during the investigation period. This ratio was then applied to the selling and general administrative (SG&A) expenses as reported in the internal income statement for 2012. This internal income statement was reconciled to the Audited Financial statement for 2012. In respect of direct selling expenses CHS used the selling expenses identified in the Australian sales spreadsheet.

Customs and Border Protection noted that these selling expenses included inland transportation, the cost to make and sell spreadsheet already accounts for transport costs as part of the tolling cost. Customs and Border Protection considers this is a double count of the transport expense and has amended the cost to make and sell spreadsheet to exclude the 'tolling' transport cost from the calculation of unit cost to make and sell.

Customs and Border Protection has also observed that CHS SG&A expenses included other non-operating income. No details were provided for this income and Customs and Border Protection could not identify this amount in the non-operating income in the Audited Financial statement for 2012. Customs and Border Protection has therefore excluded this income from the SG&A expenses.

The amended calculation of unit costs to make and sell for plate steel from CHS is contained in **confidential appendix 2**.

6 DOMESTIC SALES

CHS reported no domestic sales of plate steel in the investigation period.

7 THIRD COUNTRY SALES

In its exporter questionnaire response, CHS provided a summary its plate steel export sales to third countries.

The Commission has considered the volume of sales to third countries, and determined that volume of sales CHS has made to third countries is not suitable for a normal value assessment in terms of ss. 269TAC(2)(d) and (3).

8 ADJUSTMENTS

The Commission considers the constructed normal values based on cost to make and sell data, as outlined in section 5, are comparable to the Australian export price, and no adjustments are required.

9 NORMAL VALUE

As there were no domestic sales of plate steel by CHS, normal values could not be determined under s. 269TAC(1).

Normal values have therefore been determined in accordance with s. 269TAC(2)(c), using the cost of production, as well as administrative, selling and general costs associated with the sale.

In accordance with section 269TAC(13), because there are no sales in the ordinary course of trade, the normal value of the goods is required to be determined under s. 269TAC(2) no profit has been added to the normal value calculation.

A summary of normal value calculations is at **confidential appendix 3**.

10 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin, each export transaction was compared with the corresponding quarterly normal value for the corresponding model of plate steel. The weighted average product dumping margin for plate steel is 5%. A summary of the dumping margin calculation is at **confidential appendix 4**.

11 LIST OF APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Attachment 5.1	Cost to make and sell reconciliation
Confidential Attachment 5.2	SG&A Expense calculation
Confidential Appendix 3	Normal values
Confidential Appendix 4	Dumping margin