



Australian Government
**Department of Industry, Science,
Energy and Resources**

**Anti-Dumping
Commission**

CUSTOMS ACT 1901 - PART XVB

ANTI-DUMPING COMMISSION PRELIMINARY REPORT

Reinvestigation of Certain Findings in Report Nos. 499 and 505

**HOT ROLLED STRUCTURAL SECTIONS
EXPORTED TO AUSTRALIA FROM JAPAN,
THE REPUBLIC OF KOREA, TAIWAN (EXCEPT FOR
EXPORTS BY FENG HSIN STEEL CO LTD)
AND THE KINGDOM OF THAILAND**

27 August 2020

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ABBREVIATIONS

ABF	Australian Border Force
the Act	<i>Customs Act 1901</i>
ADRP	Anti-Dumping Review Panel
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	cost to make
CTMS	cost to make and sell
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
EXW	Ex Works
FOB	Free on Board
HRS, or the goods	hot rolled structural steel sections
Hyundai	Hyundai Steel Co., Ltd
IPP	import parity price
Korea	Republic of Korea
the Manual	<i>Dumping and Subsidy Manual</i>
MCC	model control code
the Minister	the Minister for Industry, Science and Technology
MPa	megapascals
N/mm ²	Newton per square millimetre
NIP	non-injurious price
OCOT	ordinary course of trade
OneSteel	One Steel Manufacturing Pty Ltd
REP 223	<i>Anti-Dumping Commission Report No. 223</i>
REP 345	<i>Anti-Dumping Commission Report No. 345</i>
REP 499	<i>Anti-Dumping Commission Report No. 499</i>
REP 505	<i>Anti-Dumping Commission Report No. 505</i>
the review period (or the inquiry period)	the period from 1 January 2018 to 31 December 2018
SG&A	selling, general and administrative
Siam	Siam Yamato Steel Co. Ltd
Thailand	Kingdom of Thailand
TS Steel	TS Steel Co. Ltd
Tung Ho	Tung Ho Steel Enterprise Corporation
USP	unsuppressed selling price

1 SUMMARY

1.1 Introduction

This report sets out the preliminary findings of the Anti-Dumping Commission (the Commission) in respect of a reinvestigation of certain findings arising from *Anti-Dumping Commission Report No. 499* (REP 499) and *Anti-Dumping Commission Report No. 505* (REP 505) and the decisions of the Minister for Industry, Science and Technology (the Minister) in response to those reports. REP 499 examined the variable factors relevant to the anti-dumping measures (in the form of a dumping duty notice) applying to hot rolled structural steel sections (HRS) exported to Australia from Japan, the Republic of Korea (Korea), Taiwan (except for exports by Feng Hsin Steel Co Ltd) and the Kingdom of Thailand (Thailand). REP 505 examined whether the anti-dumping measures ought to be continued.

Interested parties are invited to make submissions in response to this preliminary report. Any submissions received will inform the preparation of the final reinvestigation report that the Commissioner of the Anti-Dumping Commission (the Commissioner) will provide to the Anti-Dumping Review Panel (ADRP).

1.2 Reviewable decisions

On 3 January 2019, the Commissioner initiated a review of the anti-dumping measures applying to HRS exported to Australia from Japan, Korea, Taiwan (except for exports by Feng Hsin Steel Co Ltd) and Thailand. On 11 February 2019, the Commissioner initiated an inquiry into whether the continuation of the same anti-dumping measures was justified.

Following the recommendations of the Commissioner in REP 499, on 5 November 2019 the Minister declared that the dumping duty notice applying to HRS exported to Australia from Japan, Korea, Taiwan (except for Feng Hsin Steel Co Ltd) and Thailand is to be taken to have effect as if different variable factors relevant to the determination of duty have been fixed in respect of exporters generally. Public notice of this decision was published on 11 November 2019.¹

Following the recommendations of the Commissioner in REP 505, on 5 November 2019 the Minister decided to secure the continuation of the anti-dumping measures relating to HRS exported to Australia from all exporters subject to the notice except for Tung Ho Steel Enterprise Corporation (Tung Ho), with effect from 20 November 2019. Public notice of this decision was published on 11 November 2019.²

¹ Anti-Dumping Notice No. [2019/125](#).

² Anti-Dumping Notice No. [2019/126](#).

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The Minister's decisions were made under sections 269ZDB(1)(a)(iii) and 269ZHG(1)(a) of the *Customs Act 1901* (the Act)³ and with respect to section 8(5) of the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act).

1.3 Review of the Minister's Decisions

Following the Minister's decisions, the ADRP accepted applications from OneSteel Manufacturing Pty Ltd (OneSteel), Hyundai Steel Co., Ltd (Hyundai) and Siam Yamato Steel Co. Ltd (Siam) for a review of those decisions. The ADRP initiated its reviews of the decisions by public notice on 17 January 2020.⁴

On 17 March 2020, as part of ADRP Review Nos. 2019/120 and 2019/121, the ADRP requested that the Commissioner reinvestigate the following findings in REP 499 and REP 505 under section 269ZZL:

- the normal value determined for Siam, and in particular, the consideration of like goods and the adjustments for credit terms;
- the normal value determined for Hyundai, and in particular the adjustment for physical specification differences between the prices for domestic sales and the export sales, and the assessment of the sales in the ordinary course of trade (OCOT);
- the normal value determined for Tung Ho, given there were sales of like goods that may have enabled the normal value for all sales to be determined pursuant to section 269TAC(1) with section 269TAC(8) adjustments as necessary;
- the normal value determined for TS Steel Co. Ltd (TS Steel), given there were sales of like goods that may have enabled the normal value for all sales to be determined pursuant to section 269TAC(1) with section 269TAC(8) adjustments as necessary;
- consideration to be given as to whether any changes in normal values for Tung Ho and/or TS Steel impacts the determination of the normal value for 'all other exporters' from Taiwan;
- non-injurious price (NIP) be considered in view of the finding that exports by Tung Ho are undumped and whether this changed circumstance has changed the findings in relation to the unsuppressed selling price (USP) and the NIP;
- relevant dumping margins and relevant variable factors relating to each of the exporters mentioned above should there be any changes to the normal values; and
- should there be any changes in the dumping margins for any of the exporters mentioned above, what impact may this have on the reviewable decision to secure the continuation of the anti-dumping measures applicable to exports to Australia from Japan, Korea, Taiwan (except for Feng Hsin Steel Co Ltd and Tung Ho) and Thailand, and not to secure the anti-dumping measures in relation to Tung Ho.

The ADRP requested that the Commissioner report the result of the reinvestigation by 15 June 2020.

³ References to any section in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

⁴ ADRP [Review No 120](#) and ADRP [Review No 121](#) notices under section 269ZZI refer.

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The Commissioner sought, and was granted, additional time to complete the reinvestigation.⁵ The reinvestigation report is now due to be provided to the ADRP by **2 October 2020**.

1.4 Approach to the reinvestigation

This report sets out the preliminary findings of the Commissioner in response to the reinvestigation request by the ADRP. The reinvestigation has been conducted in accordance with section 269ZZL(2). In conducting the reinvestigation, the Commission has reviewed the grounds accepted for review as published by the ADRP under section 269ZZI, the ADRP reasons for requesting the reinvestigation and OneSteel's, Siam's and Hyundai's applications to the ADRP for a review of the Minister's decision(s).

1.5 Preliminary findings

The Commissioner finds that, in respect of the variable factors:

- a different normal value has been ascertained in respect of HRS exported to Australia by TS Steel and Tung Ho from Taiwan, and by Siam from Thailand, resulting in changes to the dumping margins established for these exporters;
- there has been no change to the rate for 'all other exporters' from Taiwan; and
- there has been no change to the variable factors in respect of HRS exported to Australia by Hyundai from Korea.

In respect of the decisions to secure (or not secure) the continuation of the anti-dumping measures:

- the changes to the variable factors do not cause the Commissioner to reconsider his recommendation to secure the continuation of the measures applying to HRS exported to Australia by Hyundai from Korea and by Siam from Thailand;
- the changes to the variable factors do not cause the Commissioner to reconsider his recommendation to not secure the continuation of the measures applying to HRS exported to Australia by Tung Ho from Taiwan; but
- as a result of the change to the variable factors applying to TS Steel and further consideration of the material that was before the Commissioner in REP 505, the Commissioner now recommends that a new decision be made to not secure the continuation of the anti-dumping measures applying to HRS exported to Australia by TS Steel from Taiwan.

⁵ The letters approving the [first](#) and [second](#) extensions of time are published on the ADRP website.

1.6 Submissions

Interested parties are invited to make submissions in response to the Commissioner's preliminary findings as set out in this report. Submissions should be lodged no later than **11 September 2020**.

The Commission's preference is to receive submissions by email to investigations1@adcommission.gov.au. Submissions may also be addressed to:

The Director, Investigations 1
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2600

Interested parties claiming that information contained in their submissions is confidential, or that the publication of the information would adversely affect their business or commercial interests, must:

- provide a summary containing sufficient detail to allow a reasonable understanding of the substance of the information that does not breach that confidentiality or adversely affect those interests; or
- satisfy the Commissioner that there is no way such a summary can be given to allow a reasonable understanding of the substance of the information.

Submissions containing confidential information must be clearly marked "OFFICIAL: SENSITIVE". Interested parties must lodge a non-confidential version of their submission, clearly marked "PUBLIC RECORD".

2 VARIABLE FACTORS

2.1 Siam

2.1.1 Application to the ADRP

Siam's application to the ADRP submitted that the Commission did not correctly determine the normal value as there were identical goods sold on the domestic market to those exported to Australia. Given these identical goods were in sufficient volumes in arms length transactions and in the OCOT, these should have been used to determine the normal value under section 269TAC(1).

Siam also submitted that the Commission used the incorrect interest rate to calculate the adjustment for domestic credit terms pursuant to section 269TAC(8). Siam submitted that the Commission should have used the actual interest rate applied in setting prices rather than a rate referenced to a Thailand bank commercial rate.

2.1.2 ADRP reinvestigation request

The ADRP has requested that the Commissioner reinvestigate certain findings in REP 499, being the finding as to the normal value determined for Siam, and in particular, the consideration of like goods and the adjustments for credit terms.

2.1.3 Like goods and model matching

The Commission considers that Siam manufactured certain goods for domestic consumption, specifically those meeting the requirement of the Australia and New Zealand Standard AS/NZS 3679.1 2016, sold as grade 300 (also referred to as the identical model), which are physically identical to the goods Siam exported to Australia.

As noted by the ADRP, when considering normal value, the comparison of the exported good to an identical good sold on the domestic market is consistent with the legislation, and reduces the need for the decision maker to consider whether an adjustment is required to enable a fair comparison for any differences between the exported goods and the models of the 'comparable goods' sold on the domestic market.

The Commission has therefore considered whether it can calculate the normal value for Siam using only the domestic sales of goods that are identical to the goods exported to Australia, being goods meeting the requirements of AS/NZS 3679.1 2016, sold as grade 300 domestically. Subject to there being sufficient volumes of domestic sales of the identical goods (in arms lengths transactions in the OCOT) for a proper comparison, the Commission would then not need to have further regard to the model control code (MCC) structure to achieve a proper comparison of relevant models of HRS exported by Siam.

2.1.4 Normal value

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the OCOT. Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are:

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- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁶

The Commission tested profitability by comparing the price at Ex Works (EXW) terms against the relevant cost for each domestic sales transaction. The Commission then tested whether the unprofitable sales were in substantial quantities (not less than 20 per cent) by comparing the volume of unprofitable sales to the total sales volume, for the identical grade sold domestically over the period from 1 January 2018 to 31 December 2018 (the review period, also referred to as the inquiry period in this report). The Commission tested recoverability by comparing the price at EXW against the relevant weighted average cost for the identical grade over the period for each domestic sales transaction.

The Commission then considered whether there was a sufficient volume of sales of the identical model on the domestic market to enable a proper comparison with the goods exported to Australia. As the volume of the identical model sold domestically (in arms lengths transactions in the OCOT) is more than five per cent of the volume exported, the normal value calculation under section 269TAC(1) can be based on the identical model. The Commission has therefore recalculated the normal value by comparing the exported goods only to sales of the identical model on the domestic market.

2.1.5 Adjustments – credit terms

Evidence presented to the ADRP, not previously presented to the Commission, indicates that the interest rate claimed by Siam in its application is applied in establishing its prices for the majority of transactions, rather than the interest rate used by the Commission in the credit terms adjustment pursuant to section 269TAC(8) in REP 499. The evidence presented by Siam to the ADRP also indicated that all transactions with credit terms of cash or 15 days used the cash price.

The Commission has accepted the ADRP's observation of the evidence before it and has therefore adjusted the interest rate as per the evidence. The Commission has also adjusted the credit terms to reflect a cash price for all transactions with credit terms stated as cash or 15 days. To ensure the normal value is comparable to the export price of goods exported to Australia at Free on Board (FOB) terms, the Commission has amended the interest rate used in the original calculation and also the credit terms for certain relevant transactions.

Details of the normal value calculation are at **Confidential Appendix 1**.

2.1.6 Dumping margin

The dumping margin was assessed by comparing quarterly weighted average export prices to the corresponding quarterly weighted average normal value for the purposes of this reinvestigation during the review period under section 269TACB(2)(a). This approach has not changed from that in REP 499.

⁶ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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The dumping margin in respect of HRS exported to Australia from Thailand by Siam for the period is **8.3 per cent**. The Commission observes that this margin has increased from the margin found in REP 499, which was 5.0 per cent.

Details of the dumping margin calculation are at **Confidential Appendix 2**.

2.2 Hyundai

2.2.1 Reviewable decision

Hyundai's application to the ADRP submitted that the Commission did not calculate the recoverability of certain transactions in line with section 269TAAD(3) and should have included the weighted average inland freight cost, which would have resulted in additional sales in the OCOT and thus a lower normal value. Hyundai also disagrees with the Commission's decision to remove the inland freight cost for the purposes of the OCOT test when the sales in the domestic market are made at a delivered price.

Hyundai also claims that there are physical differences between the models exported to Australia and the domestic models used for assessing whether dumping has occurred, and a physical difference adjustment pursuant to section 269TAC(8) should be applied to the normal value.

2.2.2 ADRP reinvestigation request

The ADRP has requested that the Commissioner reinvestigate the findings in REP 499, in particular, the finding as to the normal value determined for Hyundai and in particular the consideration of the adjustment for physical specification differences between the prices for domestic sales and the export sales, and the assessment of the sales in the OCOT.

2.2.3 Findings in REP 499

Hyundai argued that a physical difference adjustment was appropriate between domestic and export sales due to an alteration to the Korean standards, placing additional requirements on Korean manufacturers on grades sold domestically, thus increasing the cost.

The Commission considered that the MCC structure was the most appropriate mechanism for ensuring that such a physical difference adjustment was not required. The Commission further stated that where evidence of price differences cannot be provided, adjustments for physical differences where it reasonably affects price comparability may be based on cost differences. Information verified by the Commission in REP 499 provided the basis for the relevant analysis, from which the Commission did not observe any physical differences between domestic and export models having an influence on price. The claimed adjustment was therefore not applied.

In REP 499, to assess whether sales were in the OCOT the Commission calculated the selling, general and administrative (SG&A) expenses on EXW terms, which excluded all delivery expenses. In order to compare the cost to make and sell (CTMS) with invoice prices at the same level of trade, the Commission removed the delivery cost from the relevant delivered invoice price on a line-by-line basis to bring these to an EXW equivalent price.

The dumping margin was calculated as **4.7 per cent**.

2.2.4 Normal value and OCOT

Notwithstanding that the Commission's standard practice is to calculate whether sales are in the OCOT on EXW terms, for the purposes of this reinvestigation the Commission has instead calculated the sales in the OCOT by comparing on a line-by-line basis:

- the actual invoice price with the CTMS on EXW terms; and
- where the sale is on delivered terms, adjusting the CTMS to include the actual delivery cost for each of these transactions.

The Commission is satisfied that these actual delivery costs are a more accurate reflection of the costs actually incurred by Hyundai, rather than using a weighted average delivery cost as was proposed by Hyundai. The Commission considers that the weighted average approach does not account for the differing destinations of the domestic sales and therefore would result in under- and over-stated expenses for some transactions.

The Commission has recalculated the OCOT test and this is available at **Confidential Appendix 3**.

2.2.5 Physical differences of the different grades of HRS

HRS is produced and sold with a range of different physical characteristics to meet the requirements of end users. A key physical difference between different grades of HRS is the different minimum yield and tensile strengths, which are categories three and four respectively of the MCC structure⁷. Yield and tensile strengths can be calculated either as a measure of megapascals (MPa) or Newton per square millimetre (N/mm²), and one MPa is equal to one N/mm².⁸

The Korean steel standards were revised on 1 January 2017; as a result, certain grades sold domestically in Korea have had revisions to certain characteristics including minimum yield and tensile strengths. The Commission has compared the minimum yield and tensile strengths for the grades sold domestically which fall within the same minimum yield strength and tensile strength sub-categories (B-B) of the MCC structure as the grade exported to Australia. This comparison of the minimum yield and tensile strengths of grades falling under the B-B MCC categories are shown in Table 1 below:

⁷ Appendix 1 [ADN 2019/02](#) refers.

⁸ www.convertunits.com/from/MPa/to/N/mm2 visited on 13 July 2020.

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Grade	Domestic/Export	Minimum Yield (MPa)	Minimum Tensile (N/mm ²)
AH32	Domestic	315	440-570
S275	Domestic	255-275*	410-560
SM275	Domestic	245-275*	400-510
SS275	Domestic	245-275*	410-550
SHN275	Domestic	275-395	410-520
SHP275	Domestic	265-275	410-550
AS/NZ 300	Export	280-320	440

**minimum yield strength above 265MPa for majority of thicknesses*

Table 1: Minimum yield and tensile strengths in the Australian and Korean steel standards

The HRS produced to the Australian steel standard grade 300 does not meet the Korean steel standards, and therefore the HRS made for export to Australia by Hyundai is made to order specifically for the Australian market. As the Australian grade is not identical to any of the domestic grades due to the differences in physical characteristics as required by the Australian and Korean steel standards, the Commission is satisfied that there are physical differences between the grades sold domestically in Korea and that exported to Australia.

2.2.6 Sales by Hyundai

REP 499 found sufficient domestic sales in the OCOT for like goods exported to Australia by Hyundai. Despite having domestic sales of the MCCs falling under the same B-B minimum yield and tensile strength MCC categories, there are no domestic sales of the identical grade that is exported to Australia, and therefore the Commission is unable to compare the selling prices of identical goods sold domestically with those which are exported to Australia.

The ADRP has requested that the Commission examine whether there is a physical difference between the exported goods and domestic goods and whether this difference affects the price comparability between the export goods and domestic goods. The Commission has been unable to directly examine the price comparability between the export goods and domestic goods as the exported and domestic grades have not been sold in the same market to enable this comparison. Given the Commission has been unable to directly examine the price comparability, the Commission has conducted this analysis of the cost comparability between the domestic and exported goods put forward by Hyundai.

2.2.7 Costs to produce different grades by Hyundai

As outlined at 2.2.5 above, the different physical characteristics of the goods produced are due to the different grades. The Commission re-examined Hyundai's evidence put forward for REP 499, and also included in its ADRP application, of the analysis showing cost to make (CTM) differences between the grades sold domestically, which are in the same B-B MCC category, as the grade exported to Australia. This analysis compared the weighted average semi-finished CTM for the grades sold domestically with the weighted average semi-finished CTM of the exported grade.

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The Commission has observed that, while there is an almost two per cent difference between the domestic and export grades over the review period, the differences on a quarterly basis are much lower. In the first three quarters the semi-finished CTM for the grades sold domestically was higher than that of the grade exported to Australia by between slightly below one per cent and slightly above one per cent. In the fourth quarter, the grade exported to Australia had a higher semi-finished CTM than the domestic grades by slightly less than one per cent. The Commission considers these differences between the domestic and exported grades to be negligible. The differences are also not consistently higher or lower which indicates no basis for concluding that a specification adjustment between the domestic and exported grades is appropriate.

This analysis can be observed at **Confidential Attachment 1**.

2.2.8 Conclusion

The Commission has recalculated the OCOT test in accordance with the above findings. As a result, there is no change to the transactions which are in the OCOT.

The Commission is satisfied that there are physical differences between HRS exported to Australia and sold domestically in Korea. However, the Commission is not satisfied that the physical difference between the grades sold domestically in the same B-B minimum yield and tensile strength category as those exported to Australia affect the price comparability between the export goods and domestic goods, as put forward by Hyundai, because there is not a consistent and material cost differential between them. The Commission does not consider a specification adjustment to adjust the normal values of the domestic goods to the export goods to be required.

2.2.9 Normal value finding and dumping margin

The Commission has reinvestigated the finding in relation to the normal value for Hyundai and determined that the normal value remains unchanged from that in REP 499. As a result, the Commission has not recalculated the dumping margin for Hyundai.

2.3 TS Steel

2.3.1 Reviewable decision

OneSteel's application to the ADRP submitted that the Commission should have used section 269TAC(1) with section 269TAC(8) adjustments to determine the normal value, rather than section 269TAC(2)(c) with section 269TAC(9) adjustments.

2.3.2 ADRP reinvestigation request

The ADRP has requested that the Commissioner reinvestigate the findings in REP 499, in particular, the finding as to the normal value determined for TS Steel given there were sales of like goods that may have enabled the normal value to be determined pursuant to section 269 TAC(1) with section 269TAC(8) adjustments.

2.3.3 Findings in REP 499

The Commission had established that there were insufficient volumes of sales in the OCOT in the domestic market of the model that was exported to Australia. For this

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reason, the Commission ascertained the normal value for TS Steel under section 269TAC(2)(c) with section 269TAC(9) adjustments.

The dumping margin was calculated as **negative 1.6 per cent**.

2.3.4 Physical characteristics of the different grades of HRS

The MCC structure acknowledges the differences in selling prices as a result of differences in the minimum yield strength below or above 265MPa.

It is important to note that the main differentiation between the grades sold by TS Steel was the minimum yield strength. TS Steel sold grades in two MCC categories during the review period, one below and one above the 265MPa yield strength. No other physical characteristic differences could be observed in the other MCC categories of HRS sold by TS Steel.

2.3.5 Sufficiency of sales in the OCOT

Section 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. Section 269TAC(14) defines a 'low volume' for the purposes of a dumping investigation. In general, the Commission will consider there is a low volume where the volume of all like goods sold for home consumption is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter.

The Commission in this reinvestigation has reviewed whether there was an absence or low volume of sales of like goods *overall* by TS Steel on the domestic market, and found that TS Steel's domestic sales of like goods, as a percentage of the goods exported to Australia, is five per cent or greater. The Commission is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

On this basis, in this preliminary reinvestigation report, the Commission has found that for TS Steel there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT.

2.3.6 Sales by TS Steel

The Commission's practice is to undertake model matching when comparing normal values to export prices to allow for a proper comparison between the normal value and export price of the goods for the purposes of working out the dumping margin. This involves selecting the domestically sold models that are most directly comparable to the particular models exported to Australia and then comparing the normal values for those domestic models to the export prices for the export model.

Where there are no sales, or insufficient sales, of directly comparable identical models of the goods exported to Australia that are sold in the OCOT on the domestic market, the

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Commission may use a surrogate model and make appropriate specification adjustments.⁹

Table 2 summarises TS Steel's sales of like goods at an MCC level.

MCC	Export/Domestic	Domestic sales in OCOT
P-A-A-B-L-Y	Domestic	Yes
P-A-B-B-L-Y	Domestic and Export	No

Table 2: MCC categories sold by TS Steel during review period

As shown in Table 2, TS Steel only made export sales of goods in the MCC category P-A-B-B-L-Y. However, the Commission does not consider it appropriate to compare these export prices to domestic sales in the same MCC. This is because there was an absence of domestic sales in the OCOT of goods in this MCC (P-A-B-B-L-Y).

The Commission has therefore considered whether it would be appropriate to use the MCC P-A-A-B-L-Y, for which there were domestic sales in the OCOT, as a surrogate model for comparison to the export sales in the P-A-B-B-L-Y MCC. As part of this assessment, the Commission has considered whether a specification adjustment would be required to enable a proper comparison between goods in the two MCCs.

As TS Steel made no domestic sales in the OCOT of P-A-B-B-L-Y, there is no direct evidence available to the Commission of price differences between the two MCCs on the domestic market. The Commission has therefore considered whether there is evidence available to demonstrate that differences in the costs to produce the two MCCs would reasonably affect price comparability.

In order to assess whether TS Steel's prices are affected by differences in its costs to produce, the Commission has analysed the relationship between the CTM and the domestic prices of P-A-A-B-L-Y in the relevant quarters. The analysis is in the graph below:

⁹ *Dumping & Subsidy Manual*, page 60.

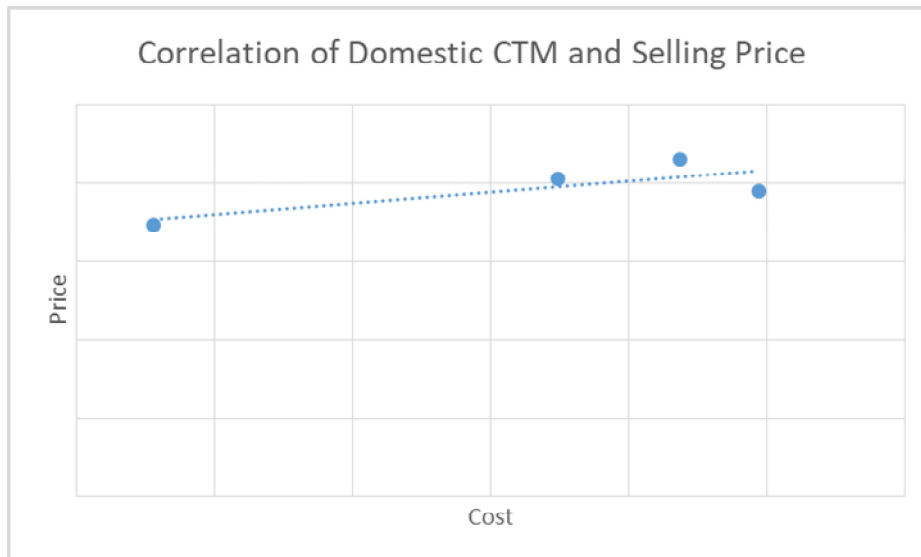


Figure 1: Comparison between the domestic weighted average CTM and domestic weighted average price for TS Steel for like goods

As can be observed from the graph above, there is a correlation between the CTM and the domestic selling price. This indicates that TS Steel sets its prices into the market by reference to movements in the cost of production.

2.3.7 Costs to produce different grades by TS Steel

As outlined at 2.3.4 above, the different physical characteristics in the goods produced by TS Steel are due to the different minimum yield strengths. The Commission examined TS Steel's cost records and analysed whether there were CTM differences between the MCC categories. TS Steel's verified cost data from the review period was presented at the MCC level and shows a material, observable and consistent quarterly CTM difference between P-A-A-B-L-Y sold domestically and P-A-B-B-L-Y exported to Australia. This analysis can be observed at **Confidential Attachment 1**.

2.3.8 Conclusion

The Commission draws the following conclusions from the observations of TS Steel's domestic sales of HRS in Taiwan and export sales to Australia:

- there were domestic sales of the MCC exported to Australia (P-A-B-B-L-Y), however there were no sales that were made in the OCOT;
- there were sufficient domestic sales of one other model (P-A-A-B-L-Y);
- the Commission considers that it is unreasonable to compare the differences in prices between MCCs P-A-B-B-L-Y and P-A-A-B-L-Y in the domestic market;
- there is an observable correlation between the CTM and selling prices for the domestic sales of P-A-A-B-L-Y;
- it is reasonable to conclude that, if there were sales of the MCC P-A-B-B-L-Y in Taiwan, the price would also be set by reference to the cost of production; and
- there are differences in the CTM for the MCC P-A-B-B-L-Y exported to Australia and the MCC P-A-A-B-L-Y sold domestically in Taiwan.

The evidence available to the Commission suggests that TS Steel set its prices into the market by reference to movements in the cost of production. The Commission considers it

is therefore appropriate to make a specification adjustment to the normal value for the model P-A-B-B-L-Y to adjust for this physical difference based on costs to reflect the impact on prices of the cost differential between the two MCCs due to their different physical characteristics.

2.3.9 Adjustments to normal value

The Commissioner proposes that the ADRP recommend that the Minister direct the price paid or payable for like goods ascertained under section 269TAC(1), be adjusted as follows so that the differences would not affect its comparison with the export price.

Specification adjustments

As domestic sales of surrogate models have been used to ascertain the normal values under section 269TAC(1), the Commission considered how to make specification adjustments under section 269TAC(8) to reflect the specification differences.

The legislation does not prescribe how to calculate an adjustment pursuant to section 269TAC(8). The Commission thus considers the most suitable method of calculation may only be made on a case by case basis. The *Dumping & Subsidy Manual* (the Manual) indicates that adjustments can be based on costs. The relevant extract from the Manual is replicated below:

[T]here may be situations where direct evidence of price differences cannot be provided (e.g. models sold domestically and exported to Australia are different). In these situations, adjustments for differences in physical characteristics or quality, where it reasonably affects price comparability, may be based on production cost differences plus the addition of the gross margin (i.e. the administrative, selling and general costs and profit) to the production cost difference. This is a means for calculating an adjustment that reflects the market value of the production cost difference.¹⁰ [Emphasis added]

The Commission, in this preliminary reinvestigation report, observes that the circumstances of TS Steel's situation in REP 499 is an example anticipated in the Manual where the models sold domestically are different to those exported to Australia.

The Commission considers that the domestic selling prices of the model P-A-A-B-L-Y are not directly comparable to the model P-A-B-B-L-Y and therefore a specification adjustment under section 269TAC(8) is necessary for a fair comparison.

In this case, the Commission considers that using the difference in CTM between the domestically sold model P-A-A-B-L-Y and the exported model P-A-B-B-L-Y plus the addition of the gross margin to reflect the market value of the production cost difference, is the most suitable for the following reasons:

- for MCC P-A-A-B-L-Y sold on the domestic market, there is a correlation between price and cost;
- the domestic and export cost data provided by TS Steel was relevant and reliable; and

¹⁰ The Manual, page 67.

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- the difference between the cost of the domestic and export models is able to be meaningfully quantified and applied as an adjustment pursuant to section 269TAC(8).

The Commission therefore considers it is preferable to use the cost differences between the export model and domestic surrogate model as the basis of the specification adjustment. This allows the Commission to determine what price those exported goods would have been sold for if they were sold on the domestic market, and allow a fair comparison between those export and domestic prices.

Specifically, the Commission compared the weighted average CTM of the domestically sold model P-A-A-B-L-Y and the exported model P-A-B-B-L-Y, respectively, on a quarterly basis over the review period and determined a specification adjustment amount based on the observed absolute differences. The Commission then added a weighted average gross margin of P-A-A-B-L-Y over the review period to reflect the market value of the production cost difference. The gross margin was calculated based on the weighted average percentage difference between TS Steel's domestic net selling prices and CTM of all domestic sales of P-A-A-B-L-Y in the OCOT over the review period.

For these reasons, the Commissioner proposes that the ADRP recommend the Minister direct that the price paid or payable for like goods, ascertained under section 269TAC(1), be adjusted on the basis of the cost differences between models so that the physical differences would not affect its comparison with the export price.

Other adjustments

Having established that the normal value can be ascertained under section 269TAC(1), the Commission considered whether any adjustments to the normal value, other than the specification adjustment outlined above, were necessary under section 269TAC(8) for a fair comparison to the export price.

REP 499 determined that certain adjustments to the normal value, outlined in Table 3, were necessary for a fair comparison to the FOB export price.

Adjustment Type	Deduction/Addition
Domestic credit expense	Deduction
Export packaging	Addition
Export inland transport	Addition
Export handling and other costs	Addition

Table 3 – TS Steel adjustments to normal value

In this reinvestigation, the Commission considers that these same adjustments under section 269TAC(8) to the normal value ascertained under section 269TAC(1) are necessary for a fair comparison to the FOB export price.

2.3.10 Normal value finding

The Commission has reinvestigated the finding in relation to the normal value for TS Steel and determined that the normal value can be ascertained under section 269TAC(1) with relevant adjustments made in accordance with section 269TAC(8).

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Therefore, the Commission considers the normal value for TS Steel be determined by the Minister pursuant to section 269TAC(1) and directions made by the Minister, pursuant to section 269TAC(8), for appropriate adjustments.

The normal value calculations are contained in **Confidential Appendix 4**.

2.3.11 Dumping margin

As a result of the change in the normal value, the Commission has recalculated the dumping margin applicable for TS Steel. The revised dumping margin applicable to TS Steel is **negative 4.3 per cent**.

The new variable factors and dumping margin calculations are contained in **Confidential Appendix 5**.

2.4 Tung Ho

2.4.1 Reviewable decision

OneSteel's application to the ADRP submitted that the Commission should have used section 269TAC(1) with section 269TAC(8) adjustments to determine the normal value, rather than section 269TAC(2)(c) with section 269TAC(9) adjustments for Tung Ho.

2.4.2 ADRP reinvestigation request

The ADRP has requested that the Commissioner reinvestigate the findings in REP 499, in particular, the finding as to the normal value determined for Tung Ho given there were sales of like goods that may have enabled the normal value to be determined pursuant to section 269TAC(1) with section 269TAC(8) adjustments.

2.4.3 Findings in REP 499

The Commission had established that there were insufficient volumes of sales in the OCOT in the domestic market for three of the models that were exported to Australia, and sufficient volumes in the OCOT for one of the models that was exported to Australia. The Commission therefore ascertained the normal value for Tung Ho under section 269TAC(1) for the model with sufficient sales in the OCOT with section 269TAC(8) adjustments, and under 269TAC(2)(c) with section 269TAC(9) adjustments for the three remaining models with insufficient sales in the OCOT.

The dumping margin was calculated as **negative 1.6 per cent**.

2.4.4 Physical difference specification adjustment to normal value

The MCC structure for Tung Ho acknowledges the differences in selling prices as a result of physical differences in the shape, minimum yield strength, form (which incorporates differences in width), and grade (which incorporates weldability) of HRS. These differences form the second, third, fourth and fifth MCC categories respectively in Tung Ho's MCC listing.

Tung Ho sold like goods in 29 MCCs during the review period, of which four have been exported to Australia.

2.4.5 Sufficiency of sales in the OCOT

The Commission in this reinvestigation has reviewed whether there was an absence or low volume of sales of like goods *overall* by Tung Ho on the domestic market, and found that Tung Ho's domestic sales of like goods, as a percentage of the goods exported to Australia, is five per cent or greater. The Commission is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

On this basis, in this preliminary reinvestigation report, the Commission has found that for Tung Ho there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT.

2.4.6 Sales by Tung Ho

The Commission's practice is to undertake model matching when comparing normal values to export prices to allow for a proper comparison between the normal value and export price of the goods for the purposes of working out the dumping margin. This involves selecting the domestically sold models that are most directly comparable to the particular models exported to Australia and then comparing the normal values for those domestic models to the export prices for the export model.

Where there are no sales or insufficient sales of directly comparable models of the goods exported to Australia that are sold in the OCOT on the domestic market, the Commission may use a surrogate model and make appropriate specification adjustments.¹¹

Table 4 summarises Tung Ho's sales of like goods at an MCC level:

MCC	Export/Domestic	Domestic sales in OCOT
P-C-A-----5-2-	Domestic	Yes
P-C-A-----6-2-	Domestic	Yes
P-C-B-----5-2-	Domestic and Export	Yes – but less than 5 per cent of export volume
P-C-B-----5-5-	Domestic	Yes
P-H-A-----3-2-	Domestic	Yes
P-H-A-----3-4-	Domestic	Yes
P-H-A-----3-6-	Domestic and Export	Yes – more than 5 per cent of export volume
P-H-A-----4-2-	Domestic	Yes
P-H-A-----4-4-	Domestic	Yes
P-H-A-----4-6-	Domestic	Yes
P-H-B-----3-2-	Domestic and Export	Yes – but less than 5 per cent of export volume
P-H-B-----3-5-	Domestic	Yes
P-H-B-----3-7-	Domestic	Yes
P-H-B-----4-5-	Domestic	Yes

¹¹ The Manual, page 60.

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P-H-B-----4-7-	Domestic	Yes
P-I-A-----1-2-	Domestic	Yes
P-I-A-----1-4-	Domestic	Yes
P-I-A-----1-6-	Domestic	Yes
P-I-A-----2-2-	Domestic	Yes
P-I-A-----2-4-	Domestic	Yes
P-I-A-----2-6-	Domestic	Yes
P-I-A-----7-2-	Domestic	Yes
P-I-B-----1-2-	Domestic and Export	Yes – but less than 5 per cent of export volume
P-I-B-----1-5-	Domestic	Yes
P-I-B-----1-7-	Domestic	Yes
P-I-B-----2-5-	Domestic	Yes
P-I-B-----2-7-	Domestic	Yes
P-I-B-----7-2-	Domestic	Yes
P-I-B-----7-5-	Domestic	Yes

Table 4: MCCs sold by Tung Ho

As shown in Table 4, Tung Ho made export sales of goods in the MCC categories P-C-B-----5-2-, P-H-A-----3-6-, P-H-B-----3-2- and P-I-B-----1-2-. However, only the domestic sales volume, in the OCOT, of one export model was greater than five per cent of the export volume, and with significant volumes of sales in each quarter of the review period, and therefore can be used for a proper comparison to the export price. The three other exported MCCs have low volumes of domestic sales in the OCOT compared to the export volumes. For these three exported MCCs, the overall volume of domestic sales in the OCOT ranges from less than one per cent to less than three per cent of the export volumes over the entire inquiry period. In addition, the majority of domestic sales in the OCOT for these MCCs occurred in a single quarter, where export sales for these same MCCs occurred in significant volumes in each quarter of the review period. As a result, these low volume sales would also require a timing adjustment to be made. Therefore, the Commission considers that it is inappropriate to use those domestic sales to compare to the export prices in these three MCCs.

The Commission has therefore used a surrogate domestic model to determine a normal value for each of the three exported models with insufficient domestic sales. In determining what surrogate domestic model to use, the Commission has selected models which have the closest physical characteristics to each of the exported models, based on the MCC hierarchy, and with sufficient volumes. The surrogate models used are shown in Table 5.

Export model	Surrogate model	Greater than 5 per cent of export volume?
P-C-B-----5-2-	P-C-A-----5-2-	Yes
P-H-B-----3-2-	P-H-B-----3-5-	Yes
P-I-B-----1-2-	P-I-B-----1-5-	Yes

Table 5: Surrogate models

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As part of this assessment, the Commission has considered whether a specification adjustment is required to enable a proper comparison between the exported model and surrogate domestic model.

As Tung Ho only had sufficient domestic sales in the OCOT for one of the exported MCCs, the Commission does not have appropriate evidence for examining the price differences between each of the exported MCCs on the domestic market. Therefore, the Commission has considered whether there is evidence available to demonstrate that differences in the costs to produce the two MCCs would reasonably affect price comparability.

In order to assess whether Tung Ho's prices are affected by differences in its costs to produce, the Commission has analysed the relationship between the CTM and prices for all models sold in the domestic market in the relevant quarters. The analysis is in the graph below:

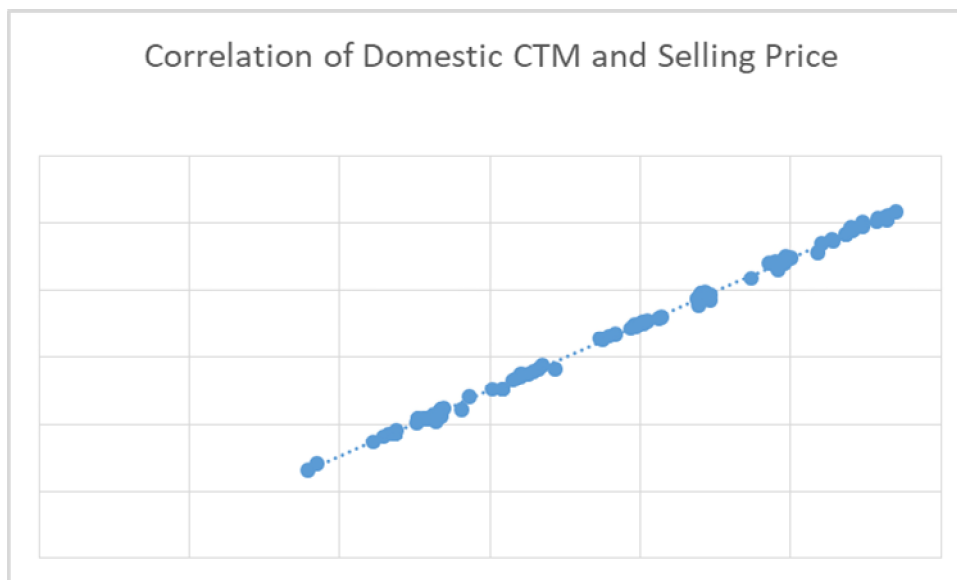


Figure 2: Comparison between the domestic weighted average CTM and domestic weighted average price for Tung Ho for all MCCs

As can be observed from the graph above, there is a strong correlation between the CTM and the selling price. This indicates that Tung Ho sets its prices into the market by reference to movements in the cost of production.

2.4.7 Costs to produce different grades by Tung Ho

As outlined at 2.4.4 above, the different physical characteristics of the goods produced are due to the different shape, yield strength, form and grade. The Commission examined Tung Ho's cost records and analysed whether there were CTM differences between the MCC categories. Tung Ho's verified cost data from the review period was presented at the MCC level and shows observable quarterly CTM differences between each of the MCC categories, specifically for the models exported to Australia. This analysis can be observed at **Confidential Attachment 1**.

2.4.8 Conclusion

The Commission draws the following conclusions from the observations of Tung Ho's domestic sales of HRS in Taiwan and export sales to Australia:

- there are physical differences between HRS exported to Australia and sold domestically in Taiwan, specifically the shape, yield strength, form and grade of the HRS;
- the Commission is unable to compare the differences in prices of the different exported MCCs in the domestic market due to low sales volumes in the OCOT, however, observes a strong correlation between the CTM and selling prices; and
- it is reasonable to conclude that, if there were reasonable volumes of sales of particular models in Taiwan, the prices of those models would also be set by reference to the cost of production.

The evidence available to the Commission suggests that Tung Ho set its prices into the market by reference to movements in the cost of production, which reflect the different physical characteristics. The Commission considers it is therefore appropriate to make a specification adjustment to adjust the normal values for three of the four exported models to account for these physical differences based on costs to reflect the impact on prices of the cost differential between these MCCs due to their different physical characteristics.

2.4.9 Adjustments to normal value

The Commissioner proposes that the ADRP recommend that the Minister direct the price paid or payable for like goods ascertained under section 269TAC(1), be adjusted as follows so that the differences would not affect its comparison with the export price.

Specification adjustments

The Commission, in this preliminary reinvestigation, observes that three of the exported models have a low volume of domestic sales in the OCOT.

As discussed above, there are observable cost differences between MCCs P-C-B-----5-2-, P-H-B-----3-2-, P-I-B-----1-2- and P-H-A-----3-6-, being the exported models, due to the difference in the shape, yield strength, form and grade resulting in the differences in characteristics of the raw material used for each. Further, the Commission found that Tung Ho's prices are set according to its costs, which is supported by a strong observable correlation between Tung Ho's costs and prices of all MCCs sold domestically. It then follows that the different requirements of each MCCs P-C-B-----5-2-, P-H-B-----3-2-, P-I-B-----1-2- and P-H-A-----3-6-, resulting in different costs, would logically result in differences in selling prices.

As a result of the analysis conducted above, the Commission considers that the domestic selling prices of each relevant surrogate model are not directly comparable to the domestic selling prices of the exported MCCs P-C-B-----5-2-, P-H-B-----3-2-, P-I-B-----1-2- and therefore a specification adjustment under section 269TAC(8) is necessary for a fair comparison. In this case, the Commission considers that using the difference in CTM between the domestically sold surrogate models and each of their respective exported MCCs P-C-B-----5-2-, P-H-B-----3-2- and P-I-B-----1-2-, plus the addition of the gross

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margin to reflect the market value of the production cost difference, is the most suitable for the following reasons:

- for models sold on the domestic market, there is a strong correlation between price and cost;
- the domestic and export cost data provided by Tung Ho was relevant and reliable; and
- the difference between the cost of the domestic and export models is able to be meaningfully quantified and applied as an adjustment pursuant to section 269TAC(8).

The Commission therefore considers it is preferable to use the cost differences between the export model and domestic model as the basis of the specification adjustment. This allows for the Commission to determine what price those exported goods would have been sold for if they were sold on the domestic market, and allow a fair comparison between those export and domestic prices.

The Commission reviewed Tung Ho's dumping margin appendices in REP 499 and considers that there is sufficient information to calculate the specification adjustment under section 269TAC(8) based on cost differences between each of the exported MCCs P-C-B-----5-2-, P-H-B-----3-2-, P-I-B-----1-2- and their respective domestic surrogate models. Specifically, the Commission compared the weighted average CTM for the respective domestically sold surrogate model and each of the exported MCCs P-C-B-----5-2-, P-H-B-----3-2-, P-I-B-----1-2-, respectively, on a quarterly basis over the review period and determined a specification adjustment amount based on the observed absolute differences. The Commission then added a weighted average gross margin over the review period to reflect the market value of the production cost difference. The gross margin was calculated based on the weighted average percentage difference between Tung Ho's domestic net selling prices and CTM of all domestic sales in the OCOT over the review period.

For these reasons, the Commissioner proposes that the ADRP recommend the Minister direct that the price paid or payable for like goods, ascertained under section 269TAC(1), be adjusted on the basis of the cost differences between models so that the physical differences would not affect its comparison with the export price.

Other adjustments

Having established that the normal value can be ascertained under section 269TAC(1), the Commission considered whether any adjustments to the normal value, other than the specification adjustment outlined above, were necessary under section 269TAC(8) for a fair comparison to the export price.

REP 499 determined that certain adjustments to the normal value, outlined in Table 6, were necessary for a fair comparison to the FOB export price.

Adjustment Type	Deduction/Addition
Domestic packaging	Deduction
Domestic inland transport	Deduction
Export packaging	Addition
Export inland transport	Addition

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Export customs brokers fees	Addition
Export bank charges and letter of credit fees	Addition
Export inspection	Addition
Export trade promotion service fees	Addition
Export pier through fees	Addition
Export port service charges	Addition
Export bill of lading fee	Addition
Export handling fee	Addition

Table 6 – Tung Ho adjustments to normal value

In this reinvestigation, the Commission considers that these same adjustments under section 269TAC(8) to the normal value ascertained under section 269TAC(1) are necessary for a fair comparison to the FOB export price.

2.4.10 Normal value finding

The Commission has reinvestigated the finding in relation to the normal value for Tung Ho and determined that the normal value can be ascertained under section 269TAC(1) with relevant adjustments made in accordance with section 269TAC(8).

Therefore, the Commission considers the normal value for Tung Ho be determined by the Minister pursuant to section 269TAC(1) and directions made by the Minister, pursuant to section 269TAC(8), for appropriate adjustments.

The normal value calculations are contained in **Confidential Appendix 6**.

2.4.11 Dumping margin

As a result of the change in the normal value, the Commission has recalculated the dumping margin applicable for Tung Ho. The revised dumping margin applicable to Tung Ho is **negative 5.8 per cent**.

The new variable factors and dumping margin calculations are contained in **Confidential Appendix 7**.

2.5 Impact of normal value changes for all other exporters from Taiwan

The Commission, as requested by the ADRP, has considered whether the changes in the normal values for Tung Ho and TS Steel has an impact on the determination of the normal value applicable to the uncooperative and all other exporters from Taiwan. The Commission's finding is that the relevant normal value for 'all other exporters' from Taiwan as a result of this reinvestigation is unchanged.

The Commission's calculations are at **Confidential Attachment 2**.

2.6 Impact of changes on the NIP

2.6.1 ADRP reinvestigation request

The ADRP has requested that the NIP be considered, noting the REP 499 finding that exports by Tung Ho were undumped, and whether this might result in changed findings in relation to the USP and the NIP. In response to matters specifically raised by Hyundai, the ADRP requested the Commission reinvestigate its finding in relation to the NIP for the relevant exporters to canvas whether the NIP should have been based on the USP of undumped sales by Tung Ho in the Australian market.

2.6.2 Findings in REP 499

The Commission found that the Australian HRS market is affected by dumping and considers that historical sales data is not a suitable method for calculating the USP. In the original investigation, it was determined that the cost plus profit approach was not suitable for the determination of the USP because a correlation between the profit rate proposed by OneSteel and HRS sales could not be established. The Commission considered that to still be the case.

Accordingly, the Commissioner proposed (and the Minister accepted) that the NIP for all exporters should be a price equal to the respective normal value. The NIP was not the operative measure for any exporter.

2.6.3 Calculation of the NIP

The NIP is defined in section 269TACA as “the minimum price necessary ... to prevent the injury, or a recurrence of the injury” caused by the dumped (or subsidised) goods the subject of a dumping (or a countervailing) duty notice.

The Commission generally derives the NIP by first establishing a price at which the Australian industry might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP. The Commission’s preferred approach to establishing the USP is set out in Chapter 24 of the Manual and observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry CTMS plus profit; or
- selling prices of undumped imports.

Having calculated the USP, the Commission then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

ADRP request

The ADRP has requested that the Commission consider whether the NIP should have been based on the USP of undumped sales by Tung Ho in the Australian market.

The Commission’s consideration

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The Manual sets out the hierarchy that the Commission will normally follow when deciding an appropriate method for establishing the USP. The selling prices of undumped imports (being the method claimed by Hyundai, seeking a USP based on the undumped sales by Tung Ho in the Australian market) occurs last in this hierarchy.

The Manual outlines that in calculating the USP, the Australian industry's selling prices at a time unaffected by dumping will normally be used. The Commission considers that the Australian industry's selling prices during the review period were affected by the presence of dumped imports in the market. As a result, the Commission considers the first method in the hierarchy to be inappropriate. The second method in the hierarchy, the Australian industry's CTMS plus an amount for profit, is available. The Commission considers this approach is preferable to using undumped prices, as it establishes a USP which is specific to the circumstances of the Australian industry which would reasonably reflect a price at which it might reasonably sell its product in a market unaffected by dumping.

The Commission considers that whilst the undumped sales from Tung Ho were in sufficient volume to influence the market price, given the Australian industry's import parity pricing (IPP) model, these prices were likely to have also been affected by dumping from other sources. As a result, the Commission does not consider this third method to be preferable.

No profit was realised by the Australian industry during the review period. The Commission has examined whether the Australian industry could have been expected to realise a profit in the absence of dumping. The Commission has examined the Australian industry's profitability during the period 2010 to 2018 as outlined in REP 505 and examined in the following chapter. The Australian industry did not achieve a profit in any year during this period, and therefore the Commission has not included an amount for profit in the USP calculation.

The Commission has then made deductions from the USP for the profit obtained and the SG&A expenses and into store costs incurred by the most efficient importer from amongst those verified during the inquiry. The Commission has then deducted the relevant customs duty payable for imports from each of Korea, Taiwan and Thailand to establish a NIP at FOB level for each country separately. No NIP has been re-calculated for exports of HRS from Japan as Japan is not subject to the reinvestigation request.

The Commission then compared the NIP with the normal value for each exporter from Korea, Taiwan and Thailand. The Commission is satisfied that the NIP would not be the operative measure for any exporter from any of these countries. The Commission notes that it would therefore make no difference if an amount for profit greater than zero had been included in the USP calculation.

The Commission's calculation of the NIP is contained in **Confidential Attachment 3**.

2.6.4 Lesser Duty Rule

The calculation of the NIP is relevant for the purposes of the lesser duty rule under the Dumping Duty Act.¹²

The level of dumping duty imposed by the Minister cannot exceed the margin of dumping, but, where the NIP of the goods is less than the normal value of the goods, the Minister must also have regard to the desirability of fixing a lesser amount of duty. However, pursuant to subsection 8(5BAA) of the Dumping Duty Act, the Minister is not required to have regard to the desirability of fixing a lesser amount of duty in certain circumstances. Neither of those circumstances (being the composition of the Australian industry or the method of ascertaining normal value in circumstances of a particular market situation in the country of export) are relevant to the present inquiry.

The Commissioner proposes that the ADRP recommend that the Minister alter the NIP to be the amount calculated in **Confidential Attachment 3**. The NIP would not be the operative measure for any exporter from any of Korea, Taiwan and Thailand.

¹² Section 8(5B) of the Dumping Duty Act.

3 LIKELIHOOD OF DUMPING AND INJURY CONTINUING OR RECURRING

3.1 Reviewable decision and reinvestigation request

As noted above, the reinvestigation request relates to certain findings in REP 505 that the Minister relied on to make her decision with respect to the continuation of the anti-dumping measures applying to HRS exported from Japan, Korea, Taiwan (except for exports by Feng Hsin Steel Co Ltd) and Thailand.¹³

As a result of the findings set out in chapter 2, the Commission has found that there are changes to the dumping margins for Siam from Thailand, TS Steel from Taiwan and Tung Ho from Taiwan.

The ADRP has requested that the Commissioner reinvestigate the findings in REP 505, should there be any changes in the dumping margins for any of the exporters the subject of this reinvestigation, and what impact this may have on the reviewable decision to secure the continuation of the anti-dumping measures applicable to exports to Australia from Japan, Korea, Taiwan (except for Feng Hsin Steel Co Ltd and Tung Ho) and Thailand, and not to secure the anti-dumping measures in relation to Tung Ho.

3.1.1 Dumping Margins

As a result of the findings set out in chapter 2, the Commission has revised the dumping margins from REP 499. Below is a summary of these changes:

Country	Exporter	Dumping margin in REP 499	Revised dumping margin
Korea	Hyundai	4.7%	4.7%
Thailand	Siam	5.0%	8.3%
Taiwan	TS Steel	negative 1.6%	negative 4.3%
	Tung Ho	negative 1.6%	negative 5.8%

Table 7: Dumping margins

The Commission does not consider that the increased dumping margin for Siam has any impact on the reviewable decision to secure the continuation of the anti-dumping measures applicable to exports to Australia from Thailand by Siam. The Commission also does not consider that the decreased dumping margin for Tung Ho has any impact on the reviewable decision to not secure the continuation of the anti-dumping measures applicable to exports to Australia from Taiwan by Tung Ho. Additionally, there was no change to the dumping margin applicable to exports of HRS to Australia from Korea by Hyundai, and therefore the Commission does not consider that the decision to continue the measures in respect of HRS from Korea has been impacted by the findings of this preliminary reinvestigation report.

¹³ Anti-Dumping Notice No. [2019/126](#) refers.

The Commission has therefore only reinvestigated the reviewable decision in REP 505 in relation to exports of HRS to Australia from Taiwan by TS Steel. The Commission’s findings are set out in the following sections.

3.2 Context: Relevant findings from REP 505

3.2.1 Australian market

OneSteel is the sole member of the Australian industry.

Figure 3 shows the Australian industry’s total sales volumes of HRS in the Australian market by calendar years. Volumes have fluctuated throughout the period, however declined significantly in the period immediately following the imposition of measures as a result of *Anti-Dumping Commission Report No. 223 (REP 223)*. The market has fluctuated in the three years since.

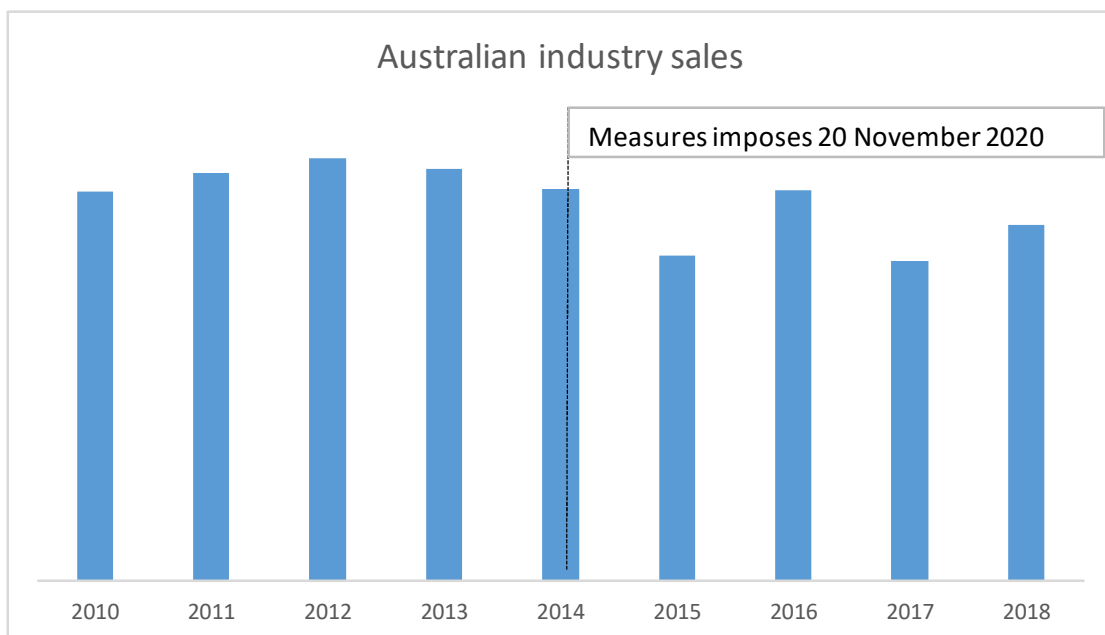


Figure 3 Australian industry HRS sales volumes

Figure 4 shows that the entire Australian market had a significant decrease, similar to that experienced by the Australian industry in 2015 following REP 223, followed by a recovery in 2016 with continued improvement until 2018 where a small decrease was observed.

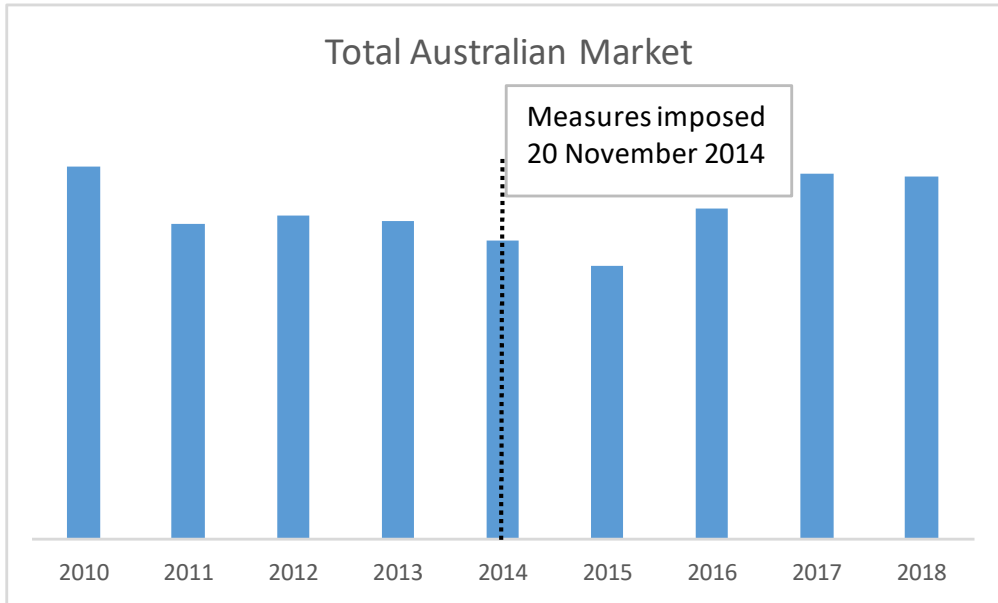


Figure 4: Total Australian market¹⁴

As can be observed in Figure 5, the Australian industry’s volumes of HRS in the market have reduced in 2017, coinciding with large increases in exports from Korea and, to a lesser extent, from Taiwan. Australian industry increased its market share in 2018, coinciding with decreases in volumes from Korea. This analysis is contained in **Confidential Attachment 4**.

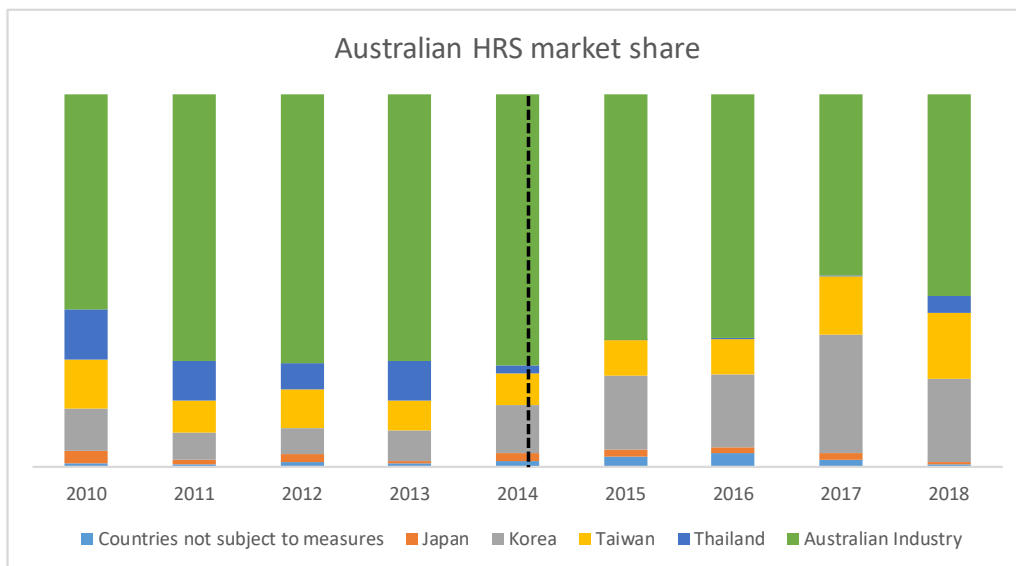


Figure 5 - Australian market share by volume¹⁵

¹⁴ Volumes in 2018 differ to those in REP 505 due to this preliminary reinvestigation report relying on verified export data rather than solely on the Australian Border Force (ABF) import database.

¹⁵ Data for 2018 differs to that in REP 505 due to this preliminary reinvestigation report relying on verified export data rather than solely on the ABF import database.

3.2.2 Economic condition of the Australian industry

The Commission examined whether the Australian industry experienced price depression and/or price suppression by comparing unit CTMS with unit revenue in Figure 6.

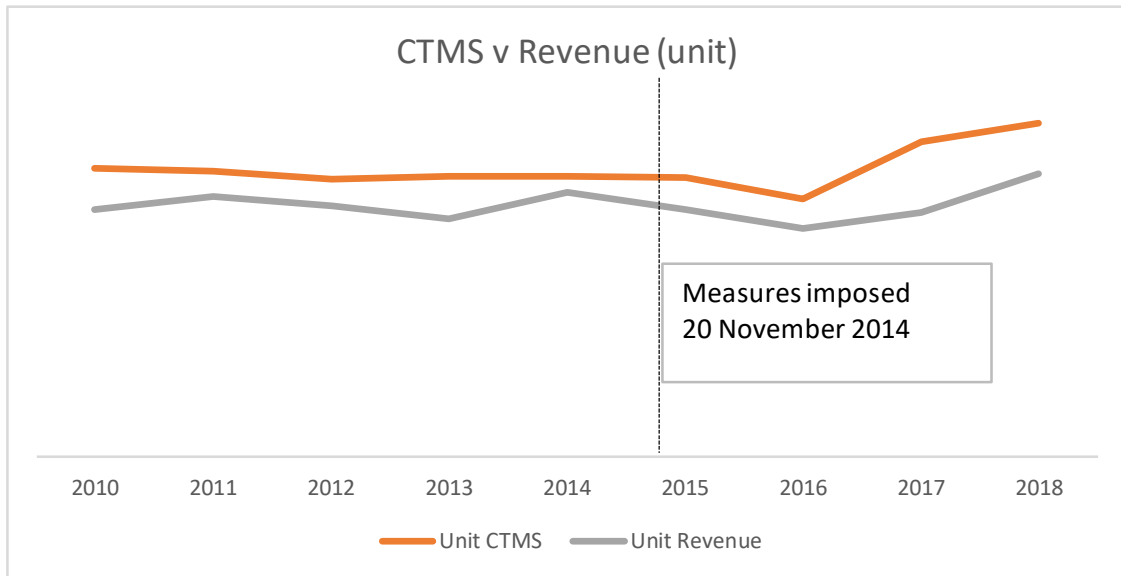


Figure 6: Australian industry HRS unit revenue and CTMS

The Australian industry’s unit revenue fell during the period examined in REP 223 and continued to fall until 2016. CTMS was stable during part of this period and experienced falls until 2016 before increasing rapidly at a more significant level than the increase in pricing. REP 505 found that the Australian industry experienced price suppression during the entire period commencing 2010.

Figure 7 shows the Australian industry’s unit profit and unit profitability, indicating that the Australian industry has not been profitable at any point since at least 2010.

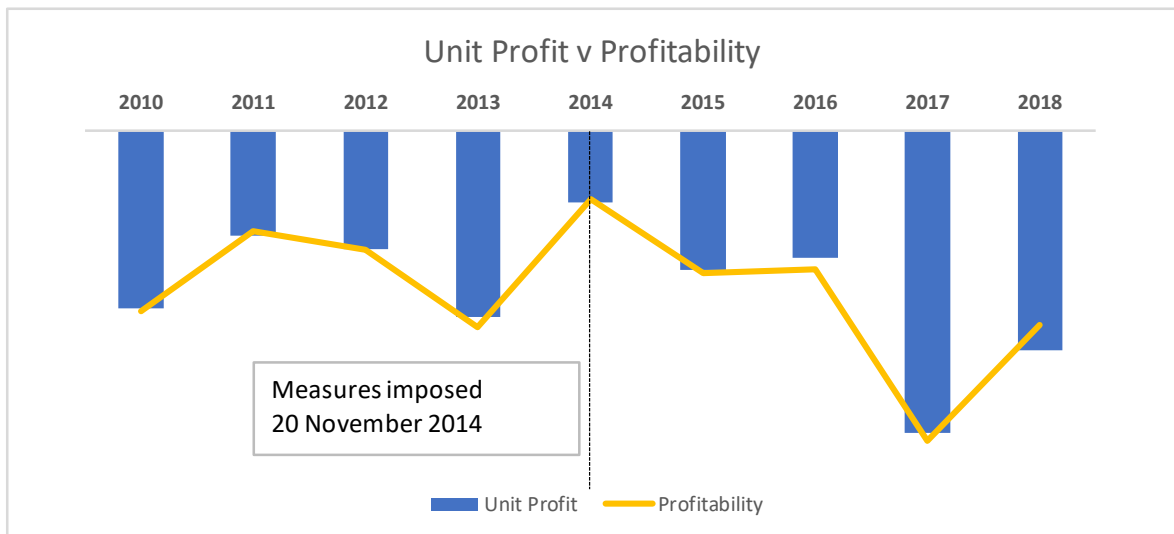


Figure 7: Australian industry unit profit and profitability

REP 505 observed that since the anti-dumping measures were imposed as a result of REP 223 in 2014, the Australian industry's profit and profitability of HRS sold in Australia declined, with a slight recovery in 2018, however, never reaching the best levels which were experienced in 2014.

3.2.3 Findings regarding likelihood of dumping and material injury continuing and/or recurring

With regard to exports of HRS to Australia from Taiwan by TS Steel, the findings in REP 505 were as follows:

- it is likely that exports of HRS from Taiwan by TS Steel would recur at dumped prices if the measures expire; and
- it is likely that dumped exports of HRS from Taiwan by TS Steel would cause material injury to the Australian industry if the measures expire.

3.3 Reinvestigation: will dumping and material injury continue or recur?

3.3.1 Commission's approach

When assessing the likelihood of whether dumping and material injury will continue or recur, the Commission considers that a number of factors are relevant, as set out in the Manual.¹⁶ The Commission's view is that the relevance of each factor will vary depending on the nature of the goods being examined and the market into which the goods are being sold. No single factor is necessarily determinative.

The Commission considers that an assessment of the likelihood of the continuation or recurrence of dumping and material injury requires evidence. The Commission is of the view that, in considering whether it is 'likely' that dumping and material injury will continue or recur, the Commissioner must have regard to whether it is probable that the dumping and material injury will continue or recur. In order to make a positive finding, the Commissioner must attain a reasonable level of satisfaction, having regard for relevant facts and sources of information.

The following analysis, therefore, examines a range of factors which the Commission considers relevant to this inquiry. The Commission has examined data from the ABF import database, verified information provided by importers and exporters of HRS from Korea, Taiwan and Thailand, and financial data from the Australian industry from 1 January 2010 to 31 December 2018, provided for the purposes of REP 499 and REP 505.

3.3.2 Australian industry claims in REP 505

In its application for the continuation of the anti-dumping measures, OneSteel made claims that dumping will continue or recur because exporters from Japan, Korea, Taiwan and Thailand have:

¹⁶ Pages 174-176 refer.

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- been affected by global overcapacity and trade distortions from several steel trade defence actions abroad;
- maintained their distribution channels to Australia and have continued to export the goods under consideration to Australia; and
- continued to export the goods to Australia at dumped prices.

OneSteel indicated that pricing in the Australian market is driven by the prices of HRS exported from Japan, Korea, Taiwan and Thailand and that import HRS price offers in the market are used by customers to negotiate with OneSteel to achieve lower prices.

OneSteel claimed that if the anti-dumping measures were allowed to expire, it was likely that importers and exporters of HRS from Japan, Korea, Taiwan and Thailand would lower their prices in order to increase volumes, and that this would result in a recurrence or continuation of material injury in the form of reduced:

- revenue;
- profits and profitability;
- market share;
- capacity utilisation;
- return on investment;
- wages for employees;
- productivity; and
- employment levels.

OneSteel therefore claimed that it would be reasonable to expect that the expiration of the measures would lead, or would be likely to lead, to a continuation of the material injury that the measures were intended to prevent.

3.3.3 History of measures

The anti-dumping measures were imposed on exports of HRS to Australia from Taiwan by TS Steel as a result of REP 223 on 20 November 2014. REP 223 found that exports from TS Steel had a dumping margin of 4.68 per cent.

No subsequent review of measures has been undertaken on goods exported to Australia by TS Steel. As set out in this preliminary reinvestigation report, TS Steel did not export HRS at dumped prices during the inquiry period, with a relevant dumping margin for TS Steel in the inquiry period of **negative 5.8 per cent**.

3.3.4 Patterns of trade and maintenance of distribution links

This preliminary reinvestigation report has examined the import volumes of HRS to Australia from Taiwan by TS Steel for the period 1 January 2010 to 31 December 2018.

Figure 8 demonstrates that, following the imposition of the anti-dumping measures as a result of REP 223, the volume of HRS exported by TS Steel has increased marginally, and during the inquiry period reached their highest levels since 2013. During the inquiry period, Tung Ho supplied less than one per cent of the overall Australian market.

The import volume analysis is contained at **Confidential Attachment 5**.

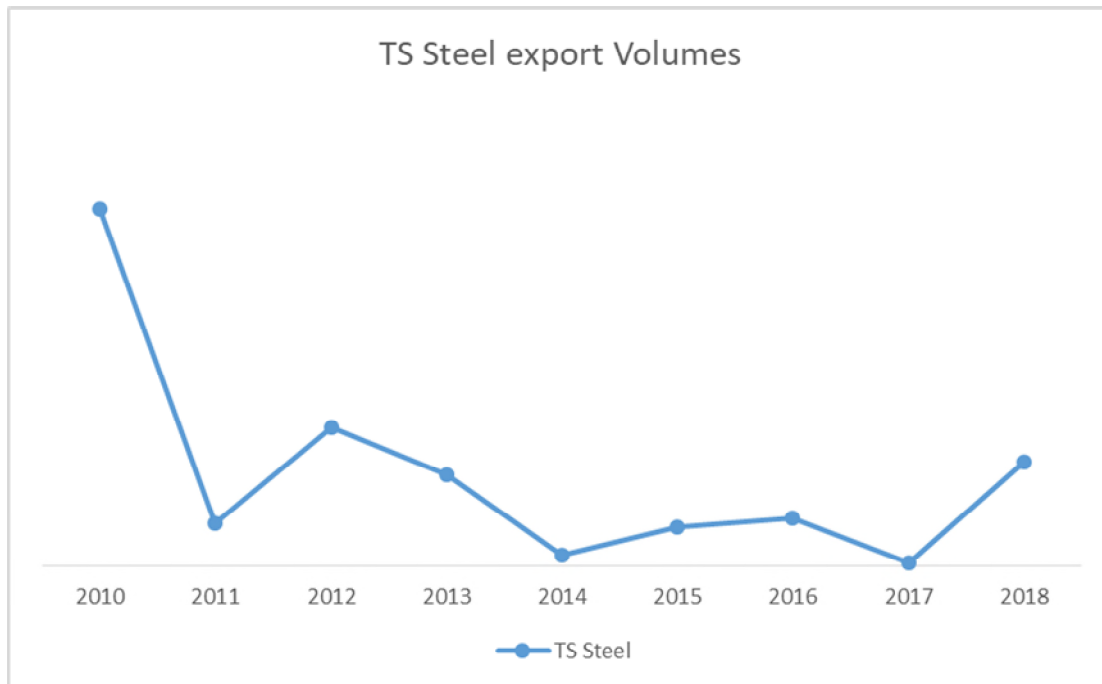


Figure 8 - TS Steel export volume to Australia

The Commission has also compared ABF data for importers of the goods from calendar years 2010 to 2018. The Commission has found that TS Steel has consistently supplied HRS to two importers, with some imports to other importers on an ad hoc basis over the period.

The Commission is satisfied that TS Steel has an intention to continue exporting HRS to Australia from Taiwan.

3.3.5 Capacity to supply the Australian market

The Commission has analysed the spare capacity available to TS Steel and found that the total available capacity in the inquiry period was less than one per cent of the overall Australian market during the inquiry period. Total capacity, total production and spare capacity available for TS Steel has been consistent since the period examined in REP 223. The Commission notes that sales to Australia made up a minority of all sales by TS Steel.

Sales of HRS by TS Steel, to both the Taiwan domestic market and the Australian market, were profitable.

The Commission also notes that the Australian industry was unable to supply the entire market, and was itself required to import small volumes of HRS to meet the demand in the Australian market from time to time.

3.3.6 Value of imported goods

The Commission has analysed the value of HRS exported to Australia from Taiwan by TS Steel immediately prior to and following the imposition of measures, and compared this with the value of HRS exported to Australia from all other countries.

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The Commission has established that, immediately following the imposition of the measures on TS Steel, the FOB export price of HRS increased in 2015 and fell significantly in 2016 before recovering in 2017. The Commission notes that trends in FOB export prices by TS Steel from Taiwan are in line with the trends of all exporters of HRS to Australia, with exports from TS Steel at higher prices than other exporters subject to the measures in most periods.

The analysis of FOB export prices is at **Confidential Attachment 6**.

3.3.7 Impact of measures on prices

The Commission has compared the selling prices of OneSteel to those of the importers of HRS from TS Steel on the same delivered basis during the inquiry period to obtain a high level comparison of prices.

Through undertaking this analysis, the Commission has observed that a large volume of sales by OneSteel were to related parties. For the purposes of the analysis in this reinvestigation, the Commission has excluded all sales by OneSteel to related parties. The Commission is not satisfied that sales by OneSteel to its related parties are in direct competition with exports of HRS from TS Steel.

The Commission has analysed sales between OneSteel and its related parties and has observed that these are lower priced than sales to its unrelated customers on an MCC level. Despite the arms length nature of these transactions, the Commission considers that it would be the downstream sales by the related party which would ultimately be in competition with imports of HRS rather than sales between OneSteel and its related party. The Commission does not have data from the related party concerning its own sales and therefore has been unable to perform any analysis at that level.

In REP 499, the Commission observed that the prices offered by OneSteel to its customers are based on an IPP model plus a premium. The IPP model is:

- used to set prices on an individual customer basis;
- is set with reference to monthly price offers by importers in the Australian HRS market; and
- used by customers in negotiations with OneSteel.

The comparison of selling prices has been done on a monthly basis, and compared the specific MCCs of HRS sold by TS Steel with the equivalent MCCs of HRS sold by the Australian industry.

The Commission observes that the weighted average selling price of the goods exported to Australia by TS Steel is significantly lower than that of the Australian industry for each quarter of the inquiry period for the same MCC. This analysis indicates that, in a period where the goods were exported at undumped prices, HRS exported to Australia from Taiwan by TS Steel already has a significant price advantage over the Australian industry. The Commission does note that the Australian industry adds a price premium on top of the IPP price, however, in all months of the inquiry period, the price advantage significantly exceeds the price premium. The Commission's calculations are included at **Confidential Attachment 7**.

3.3.8 Effect of import price offers

OneSteel has provided the Commission with additional evidence of its price setting mechanisms during and immediately following the inquiry period, including the regard it had to import offers. The Commission observes that all customers of OneSteel receive pricing based on import offers received by each individual customer which is then used to negotiate the IPP for that customer.

The Commission notes that no evidence has been provided by OneSteel to suggest that price offers from TS Steel have been used to set pricing with any customers. In any event, those price offers would have been for undumped HRS.

3.3.9 Measures imposed by other countries

The Commission has analysed the World Trade Organization database and has found that no other country has any active anti-dumping measures imposed on exports of HRS from Taiwan. The only countries other than Australia with measures on HRS are the Republic of Indonesia, Korea and the Socialist Republic of Vietnam, each applying measures on exports from the People's Republic of China, and the Russian Federation applying measures on exports of HRS from Ukraine.

3.4 Conclusion

In the main, the Australian produced goods and the imported goods have essentially the same end uses, meet similar quality specifications and standards, are sold to the same types of customers and compete directly with each other in the same markets. The trends shown at Chapters 3.2.1 and 3.2.2 above as well as Chapter 5 of REP 505,¹⁷ indicate that the imposition of the anti-dumping measures on HRS exported to Australia from Taiwan by TS Steel has had little, if any, impact on the economic condition of the Australian industry.

As a general principle the Commission considers that, whilst the presence or absence of dumping during the inquiry period may be indicative of future behaviour, this factor alone is not determinative. TS Steel's negative dumping margin indicates that it could have reduced its FOB export price even further and still not have dumped during the inquiry period, whilst still holding a significant price advantage over Australian industry. Additionally, TS Steel was profitable on its domestic sales in Taiwan and export sales to Australia. The Commission considers that exports of HRS from Taiwan by TS Steel have had little to no impact on the pricing of the Australian industry. Given these facts, there is no apparent economic incentive for TS Steel to lower its pricing and recommence dumping should the measures be allowed to expire in respect of its exports of HRS.

Based on the Commission's analysis of the data described above and the evidence currently available, in respect of HRS exported to Australia from Taiwan by TS Steel, the Commissioner is not satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and material injury that the measures are intended to prevent.

¹⁷ REP 505, page 18 refers.

4 CONCLUSION

4.1 Preliminary reinvestigation findings

The Commission has conducted a reinvestigation of the reviewable decisions in accordance with the direction made by the ADRP, as required by section 269ZZL(2). As a result of this reinvestigation, the Commission has found reasons that would result in materially different decisions from the reviewable decisions.

In accordance with section 269ZZL(3)(b), as the Commissioner is of the view that new findings can be made as a result of this reinvestigation, he makes the new findings as set out in this report, that:

- different variable factors (being the normal value) have been ascertained in respect of HRS exported to Australia by TS Steel and Tung Ho from Taiwan, and by Siam from Thailand; and
- the evidence does not support a conclusion that the expiration of the measures, as they apply to TS Steel from Taiwan, would lead (or be likely to lead) to a recurrence of the dumping that the anti-dumping measures is intended to prevent.

In accordance with section 269ZZL(3)(c), the evidence and other materials for which the new findings are based are contained within this report and its attachments. This report sets out the reasons for the Commissioner's decisions in accordance with section 269ZZL(3)(d).

5 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Normal value calculation for Siam
Confidential Appendix 2	Dumping margin calculation for Siam
Confidential Appendix 3	Normal value calculation for Hyundai
Confidential Appendix 4	Normal value calculation for TS Steel
Confidential Appendix 5	Dumping margin calculation for TS Steel
Confidential Appendix 6	Normal Value calculation for Tung Ho
Confidential Appendix 7	Dumping margin calculation for Tung Ho
Confidential Attachment 1	Cost and price analysis for exporters
Confidential Attachment 2	Uncooperative and all other exporter dumping margin calculation for Taiwan
Confidential Attachment 3	USP and NIP calculation
Confidential Attachment 4	Australian market analysis
Confidential Attachment 5	Import volume analysis
Confidential Attachment 6	FOB export price analysis
Confidential Attachment 7	Price undercutting analysis