



Australian Government
Anti-Dumping Commission

**INVESTIGATION INTO THE ALLEGED DUMPING OF
HOT ROLLED STRUCTURAL STEEL SECTIONS
JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND
THAILAND**

DUMPING MARGIN CALCULATION

FENG HSIN IRON & STEEL CO., LTD

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

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PUBLIC RECORD

Abbreviation / short form	Full reference
ACBPS	Australian Customs and Border Protection Service
CTMS	costs to make and sell
HRS	hot rolled structural steel sections
Korea	Republic of Korea
OneSteel	OneSteel Manufacturing Pty Ltd
REQ	Response to exporter questionnaire
Feng Hsin	Feng Hsin Iron & Steel Co., Ltd
TCO	Tariff Concession Orders
The Act	<i>Customs Act 1901</i>
the Commission	Anti-Dumping Commission
the Commissioner	Commissioner, of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
ADN	Anti-Dumping Notice

2 BACKGROUND

1.1 Application

On 26 August 2013, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application under the *Customs Act 1901* (the Act), requesting that the then-relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of hot rolled structural steel sections (HRS) exported from Japan, the Republic of Korea (Korea), Taiwan and Thailand.

OneSteel provided further information and data in support of its application, the last of which was received on 1 October 2013, restarting the 20 day period for consideration of the application.

The application alleges that the Australian industry has suffered material injury caused by HRS exported to Australia from Japan, Korea, Taiwan and Thailand at dumped prices. The application claims the industry has been injured through:

- price depression;
- price suppression;
- reduced profits and profitability;
- reduced domestic revenues;
- reduced production capacity utilisation;
- reduced employment; and
- reduced attractiveness for reinvestment.

Public notification of the initiation of the investigation was made on 24 October 2013 in *The Australian* newspaper and through Anti-Dumping Notice (ADN) No. 2013/75, notifying of the initiation of the investigation and key procedural matters.

1.2 Background to this report

Following the initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that Feng Hsin Iron & Steel Co., Ltd ('Feng Hsin') exported HRS from Taiwan to Australia during the period 1 October 2012 to 30 September 2013 (the investigation period).

The Commission notified Feng Hsin of the initiation of the investigation, sought its cooperation with the investigation, and provided an exporter questionnaire in respect of HRS for Feng Hsin to complete.

Feng Hsin completed the exporter questionnaire (REQ), and the non-confidential version of this questionnaire response is available on the Public Record.

2.1 Purpose of this report

Based on the volume of Feng Hsin'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 Feng Hsin's premises.

Whilst a decision was made not to conduct an on-site verification visit, a detailed analysis of the exporter questionnaire provided by Feng Hsin was completed. This analysis included tests of the data for completeness, relevance and accuracy, and some benchmarking to verified data of a similar nature.

The purpose of this report is to assess Feng Hsin's REQ 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.

2.2 Company background

In its REQ, Feng Hsin provided information which indicates that its major shareholders include private individuals, an investment company and insurance companies.

Feng Hsin described the nature of its business as being:

"..Feng Hsin is a steel mill that produces its products from scraps. Feng Hsin purchases scrap iron for making billets which are used as input materials for manufacturing all products (including the goods) of Feng Hsin. Fen Hsin has two billet making plants and the billets used for manufacturing the PUI come from the billet making plant No. 1. Such billets are further processed at the fourth Steel Rolling Plant into the PUI. In addition to the PUI, Feng Hsin manufactures and sells bars, rebars, and various shapes of merchant bars.."

Feng Hsin further advised that it carries out all activities itself. These activities include the manufacturing and sale of HRS to both the Taiwanese domestic market and to export markets. Feng Hsin exports to various countries, including Australia.

2.3 Accounting

Feng Hsin's financial accounting period is from 1 January to 31 December. Feng Hsin provided copies of its chart of accounts and annual reports.

Feng Hsin stated that their financial accounting practices and policies are in accordance with the generally accepted accounting principles of Taiwan.

3 GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods the subject of the applications (the goods)

3.1.1 Description

The goods the subject of the investigation (the goods) are:

Hot rolled structural steel sections in the following shapes and sizes, whether or not containing alloys:

- *universal beams (I sections), of a height greater than 130mm and less than 650mm;*
- *universal columns and universal bearing piles (H sections), of a height greater than 130mm and less than 650mm;*
- *channels (U sections and C sections) of a height greater than 130mm and less than 400mm; and*
- *equal and unequal angles (L sections), with a combined leg length of greater than 200mm.*

Sections and/or shapes in the dimensions described above, that have minimal processing, such as cutting, drilling or painting do not exclude the goods from coverage of the investigation.

Goods excluded from this investigation are:

- *hot rolled 'T' shaped sections, sheet pile sections and hot rolled merchant bar shaped sections, such as rounds, squares, flats, hexagons, sleepers and rails; and*
- *sections manufactured from welded plate (e.g. welded beams and welded columns).*

In support of the goods description, OneSteel stated in their application:

In Australia the goods are commonly known as universal beams, universal columns, universal bearing piles, parallel flange channels and both equal and unequal angles. Universal columns typically have their web lengths similar to their flange lengths, whereas universal beams typically have longer webs than flanges. In some other countries the term "H beams" applies to both universal beams and universal columns and the term "I beams" denotes tapered flange beams.

The common grades of steel that the goods subject to this application are sold to are grade 300 and grade 350. The minimal yield stress of the grade 300 refers to 300 Mega Pascals (MPa) and the minimal yield stress for grade 350 is 350 MPa.

The type of alloys that may be incorporated into the HRS steel sections include but is not limited to boron (typically with a boron amount above 0.0008 per cent

or chromium above 0.3%). For clarity, the inclusion of alloy(s) is limited to the shapes and sizes identified above.

The majority of the goods that are subject to this application are manufactured to comply with or exceed the requirements set out in AS/NZS 3679.1:2010 Structural steel Part 1: Hot-rolled bars and sections.

Imported goods are mostly quoted to AS/NZS 3679.1, but if not will generally be quoted to an international standard that stipulates nominal yield strength of 300 Mega Pascals (MPa).

3.1.2 Tariff classification

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

- 7216.31.00 statistical code 30 (*channels – U and C sections*);
- 7216.32.00 statistical code 31 (*universal beams – I sections*);
- 7216.33.00 statistical code 32 (*universal column and universal bearing piles – H sections*); and
- 7216.40.00 statistical code 33 (*equal and unequal angles – L sections*).

For the tariff subheadings outlined above, the general rate of duty is 5% for goods imported from Japan, and 0% for imports from Korea, Taiwan and Thailand.

The Commission has received advice from the Tariff Policy section of ACBPS, indicating tariff subheading 7216.50.00 may also be applicable to C sections, only in circumstances whereby these goods are differentiated by industry members and consumers from U sections.

Goods identified as hot rolled other alloy steel sections, as per the specified shapes and sizes described above, are classified to tariff subheading 7228.70.00 in Schedule 3 of the *Customs Tariff Act 1995*. The applicable duty rate for imports from Japan, Korea and Taiwan is 5%, and Thailand is 0%.

In Consideration Report 223 (CON 223), the Commission indicated that Tariff Concession Order (TCO) 0513491 and 0513492 may apply to such goods that are classified to tariff subheading 7216.32.00 and 7228.70.00, respectively. After further examination of the description of the goods under consideration and relevant technical specifications, as well as the goods description contained in TCO 0513491 and 0513492, the Commission has determined that neither of the TCOs applies to the goods under consideration.

As of 5 January 2014, TCO 0513492 has been revoked due to two years of non-use. The revocation of TCOs, which have not been used for a period of two years, is part of the review of Schedule 4 of the *Customs Tariff Act 1995*, and was

announced as part of the Government’s better regulation and micro-economic reform agenda¹.

3.2 HRS Produced Domestically

Feng Hsin’s REQ, product catalogues and other transaction data identified that the HRS sold domestically during the investigation period were both channels and equal angles. These HRS shapes were produced in a variety of heights, thicknesses, widths and lengths. HRS manufactured for the domestic market was produced to comply with grade standards SS400, A36, SM400A, SM400 and SN400B. Domestic sales of HRS were predominantly manufactured to comply with the SS400 standard.

We analysed additional domestic sales transaction data provided by the company to verify completeness of the REQ transaction data provided by the company for domestic sales.

3.3 HRS Exported to Australia

Feng Hsin identified in its REQ, all sales of HRS exported to Australia during the investigation period which met the size range of the goods under consideration. Feng Hsin specified that all these identified exports were sold as complying with standard SS400. Further information provided by the company identified that any HRS meeting the Australian standard AS/NZ 3679.1 were in dimensions outside the range of the goods under consideration in this investigation.

The table below, summarises the dimension and shape exported to Australia which meet the shape and size ranges of the goods under consideration.

SHAPE	DIMENSIONS
Channels	150x75x6.5x6000

Table 1: Australian Exported HRS: Shapes & Dimensions

We analysed additional export sales transaction data provided by the company to verify completeness of the REQ transaction data provided by the company for export sales.

3.4 Like Goods

Section 269T(1) of the Act 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.

¹ See ACN 2010/18 – Review of Schedule 4 of the *Customs Tariff Act 1995* refers.

PUBLIC RECORD

In a submission received by the Commission, Australian industry raised its views in relation to the comparability of grades of HRS exported to Australia from Taiwan and that sold domestically by various Taiwanese exporters. In the case of Feng Hsin, information provided by the company identified that all the goods under consideration exported to Australia were sold as being in compliance with the SS400 standard. Mill test certificates provided by Feng Hsin in relation to both domestic HRS sales and Australian HRS sales indicated that both products were tested for their compliance with the SS400 standard. In all instances, the tested HRS exceeded the requirements of this standard.

We consider that both products have characteristics closely resembling each other, when considering factors such as physical likeness (shape and dimension), functional likeness (similar end use and function) and production likeness.

3.4.1 Like goods – preliminary assessment

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

4 EXPORT SALES TO AUSTRALIA

4.1 General

From its questionnaire response, it appears that HRS manufactured by Feng Hsin was sold by Feng Hsin during the investigation period to two unrelated customers in Australia. Both customers were categorised as being traders. Feng Hsin provided a spreadsheet containing a detailed listing of all export sales to Australia. It also provided the following source documents of two export transactions:

- Price offer;
- Order;
- Commercial invoice;
- Packing list;
- Bill of lading;
- Customs clearance documents;
- Inland transport; and
- Evidence of receipt of payment.

4.2 The exporter

The Act does not define the exporter; however it is the Commission's policy as outlined in the Dumping and Subsidy Manual, to consider the circumstances (e.g. the role of the parties, their functions and responsibilities) surrounding the exportation of the goods in order to determine the exporter.

Based information on provided, we consider Feng Hsin to be the exporter of HRS exported to Australia from Taiwan as Feng Hsin was the manufacturer of the goods and either:

- 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 was aware of the identity of the Australian end customer of the goods; or
- for [REDACTED] transaction, sold the goods via intermediaries with actual knowledge that the goods were destined for export to Australia.

4.3 The importer

The importer is defined in section 269T(1) as the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed. 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.

Based on information provided, we are satisfied that the Australian customers of Feng Hsin were the beneficial owner of the goods at the time of importation. Feng Hsin's customers purchase HRS on free-on-board 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.

On source documents checked Feng Hsin's customer is also named as the consignee and/or the notify party on the bill of lading.

4.4 Export price – preliminary assessment

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 Section 269TAB(1)(a) using the invoiced price by Feng Hsin 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.

Adjustments to the export price to enable fair comparison are discussed in section 8.9 of this report.

The weighted average quarterly FAS export price in \$NTD is summarised in the table below:

\$NTD/MT	Q1	Q 2	Q 3	Q 4
Channels				

Table 2: Quarterly FAS Exported Prices (\$NTD)

Details of the export price calculations and summary export prices are at **Confidential Appendix 1**.

5 COSTS TO MAKE & SELL

In its exporter questionnaire response, Feng Hsin provided a cost to make and sell spreadsheet for HRS. The spreadsheet shows quarterly costs data for models sold domestically and exported to Australia. The average weighted cost to make and sell was predominantly the same for both domestically sold and Australian exported HRS. Any difference between the figures was considered immaterial.

The calculation of unit costs to make and sell for HRS from Feng Hsin is contained in **Confidential Appendix 2**.

6 DOMESTIC SALES

6.1 General

In its exporter questionnaire response, Feng Hsin provided a spreadsheet containing detailed sales of HRS in the domestic market.

Feng Hsin stated that it did not make any sales of HRS to related parties during the investigation period. We were unable to verify whether any customers were related as all customer names were provided in Taiwanese. As the listed significant shareholders of the company were either individuals or companies involved in the financial sector, we consider it reasonable to assume that Feng Hsin's domestic customers are not significant shareholders in the company. We were unable to identify in the information provided any transactions with the companies disclosed as being affiliated by Feng Hsin. However, our capacity to verify this was limited due to the customers' names being in Taiwanese.

6.2 Date of Sale

The Commission's manual specifies that, in establishing the date of sale, the Commission will normally use the date of the invoice as it best reflects the material terms of the sale. Feng Hsin's REQ did not make any submissions specifying that an alternative date better reflected the date of sale. As a consequence, we have adopted the invoice date as being the date of sale. In Feng Hsin's REQ, 24 of the domestic transactions had invoice dates outside the investigation period. These transactions were excluded from the calculation of the normal value.

6.3 Ordinary course of trade

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

In order to test whether domestic sales of the GUC were made in OCOT, the profitability of each arm's length transaction was tested individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model. For those sales sold at a loss in substantial quantities, recoverability was tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period.

Where the volume of unprofitable sales were equal to or greater than 20% and were unrecoverable, these were excluded for the purposes of calculating the normal value.

6.4 Domestic sales – preliminary assessment

There were sufficient volumes of domestic sales of HRS by Feng Hsin that were arm's length transactions and at prices that were in OCOT.

Based on the information provided, Feng Hsin's domestic sales of HRS are considered to be suitable for assessing normal value under section 269TAC(1).

PUBLIC RECORD

The domestic sales spreadsheet, including OCOT test, is at **Confidential Appendix 3**.

7 THIRD COUNTRY SALES

In its exporter questionnaire response, Feng Hsin provided a summary its HRS sales to third countries.

There is sufficient information from the submission to calculate normal values for HRS using domestic sales or a construction method.

8 ADJUSTMENTS

8.1 General

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

8.2 Domestic Packaging

A downwards adjustment for domestic packaging costs was applied to the normal value using the weighted average domestic packaging costs over the investigation period.

8.3 Domestic inland transport

A downwards adjustment for domestic inland transport costs was applied to the normal value using domestic inland transport costs incurred.

8.4 Domestic customer discounts

A downwards adjustment for domestic customer discounts was applied to the normal value. This was based on the weighted average discount individually applied to these customers.

8.5 Export inland transport

An upwards adjustment for export inland transport costs was applied to the normal value using the weighted average export inland transport costs over the investigation period.

8.6 Export handling

An upwards adjustment for export handling costs was applied to the normal value using the specified export handling costs for each transaction.

8.7 Export Packaging

An upwards adjustment for export packaging costs was applied to the normal value using the weighted average packaging costs over the investigation period.

8.8 Commissions Paid on Certain Export Sales

In their REQ, Feng Hsin disclosed that they paid a commission to [REDACTED] [REDACTED] export sale. The commission paid was [REDACTED]. The export price for this specific transaction were adjusted for any commission paid prior to calculating the weighted average quarterly FAS export price.

8.9 Other Adjustments Considered

8.9.1 Grade Differences

As previously mentioned, submissions have been received from Australian industry in relation to the differing grades to which HRS is manufactured for the Taiwanese domestic market and the Australian market.

Information provided by Feng Hsin specified that the goods under consideration exported to Australia during the investigation period were sold as complying with the SS400 standard. Copies of mill test certificates for both domestic sales and Australian export sales of HRS were obtained from Feng Hsin. These certificates indicated that in all instances the HRS was tested for its compliance with the SS400 standard. Further, these certificates indicated that the tested HRS exceeded the minimum requirements of this standard.

No adjustment was made to the normal value, as no grade differences existed between the domestically sold HRS and exported HRS to Australia.

8.9.2 Export credit terms and domestic credit terms

No adjustments were made for export or domestic credit terms as all sales were either made on a cash basis or 'On sight letter of credit' basis.

8.9.3 Theoretical and actual weight adjustments

The Commission received submissions from Australian Industry regarding the tolerance differences between the standards under which HRS is sold domestically in Taiwan and under the Australian Standard, AS/NZ 3679.1.

Feng Hsin specified that sales of HRS in the domestic market and Australian export market are both sold on the basis of theoretical weight.

As mentioned above, the goods under consideration exported by Feng Hsin during the investigation period were sold as complying with the SS400 standard. Given that both the exported HRS and the domestic HRS used to establish the normal value were manufactured to the same standard, an adjustment for tolerance differences was not warranted.

8.9.4 Warehousing cost for domestic HRS and additional rolling costs for Australian HRS

Australian industry made submissions to the Commission in which it raised its views in relation to the additional costs that exporters would incur for Australian exports. These included costs for warehousing and different branding.

We were unable to identify any specific additional costs from the cost information provided by Feng Hsin. Feng Hsin also submitted that it did not incur any additional costs, including warehousing costs, for the SS400 HRS exported to Australia during the investigation period.

In the absence of evidence that supports a particular product difference affecting price compatibility, adjustments for additional costs are not deemed as being warranted.

8.10 Adjustments – Conclusion

In accordance with s.269TAC(8), these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic packing costs	Deduct an amount for domestic packing costs.
Domestic inland transport	Deduct an amount for domestic inland transport costs.
Domestic customer discounts	Deduct an amount for domestic discount costs
Export inland transport	Add an amount for export inland transport costs.
Export handling	Add an amount for export handling costs.
Export packaging	Add an export packaging costs

9 NORMAL VALUE

There were sufficient volumes of domestic sales of HRS by Feng Hsin that were arm's length transactions and at prices that were in OCOT. Therefore, prices paid in respect of domestic sales of HRS are suitable for assessing normal values under s.269TAC(1).

In using domestic sales as the basis for normal values, certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in section 8 above.

A summary of normal value calculations is at **Confidential Appendix 4**.

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 HRS. The weighted average product dumping margin for HRS is -3.46%. A summary of the dumping margin calculation is at **Confidential Appendix 5**.

11 LIST OF APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal values
Confidential Appendix 5	Dumping margin