OneSteel Manufacturing Pty Ltd
ABN 42 004 651 325
Level 40, 259 George St, Sydney NSW 2000
GPO Box 536, Sydney NSW 2000, Australia
P 02 9239 6666
F 02 9239 6633

24 August 2015

Mr Tim King
Investigator
Anti-Dumping Commission
Level 35
55 Collins Street
MELBOURNE CITY VICTORIA 3000

Public File

Dear Mr King

Investigation into Steel Reinforcing Bar –Daehan Steel Co., Ltd Exporter Visit Report

Background

OneSteel Manufacturing Pty Ltd ("OneSteel") has examined the exporter verification report ("the report") for Daehan Steel Co., Ltd ("Daehan") recently placed on the public file in Case No. 264.

The Anti-Dumping Commission ("the Commission") has determined normal values for Daehan using domestic sales of reinforcing bar in lengths ("DBIL") and coils ("DBIC"). The company made commercial and barter sales, and sells via two distribution channels domestically. Daehan states that its domestic selling prices are "not influenced by distribution channel".

Adjustments were made to Daehan's normal values as follows:

- domestic credit (negative);
- domestic technical support (negative);
- domestic inland freight (negative);
- inventory carrying cost (negative);
- export inland freight (positive);
- export handling charge (positive); and
- export credit cost.

The weighted average dumping margin determined for Daehan was 9.7 per cent.

Issues for consideration

Disclosure of grade comparisons

OneSteel is aware that Daehan only exports DBIC to Australia. It appears from the report that for only one model of DBIC there were no domestic sales equivalents during the investigation period. An adjustment was made for the model where no domestic sales equivalent was available.

The public file version of the Daehan report does not permit the reader to understand whether the grade of steel used by the Commission for domestic sales purposes was the same as for export. It is not clear whether the same (or similar) grades were compared for determining applicable dumping margins.

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Relevant grade comparison is an important consideration as the Commission has been made aware that premiums apply for the SD500 or SD500W grades of DBIC above the price of grade SD400 (understood to be the most common rebar grade in Korea) sold by Daehan. The Daehan report does not disclose whether price premiums were found to exist for certain grades of DBIC sold domestically by Daehan.

At the OneSteel exporter visit briefing relating to the Daehan visit, OneSteel requested that the ADC,

> "*make public Daehan's current view of what it believes is the grade that most closely resembles grade 500N*."

The Daehan website lists the:

> "*steel types : SD300, SD400, SD500, SD600, SD400W, SD500W, SD295A, SD345, SD390, 500N, B500B*",

as the grades produced in their DBIC range. Given that the grades of DBIC produced by Daehan are publicly disclosed, OneSteel does not consider that redaction of the grades compared for normal value determination in the visit report meets the Commission's disclosure obligations under Article 6.5 of the WTO Anti-Dumping Agreement as grade names cannot be viewed as "*information which is by nature confidential*."

Failure on the part of the Commission to ensure the appropriate grade comparisons are made has the potential to compromise the integrity of the investigation outcome and OneSteel's view is that grade disclosure is essential to allow for adequate representations in this regard.

Barter sales

OneSteel notes (Section 8.7 of report) that Daehan's barter sales were not in the ordinary course of trade. It is not clear from the "Domestic sales – summary" at Section 8.10 or Normal Value (Section 11) whether the Commission has excluded barter sales from the ordinary course of trade tests, and from normal value calculations. It is requested that the Commission ensure barter sales are removed from the weighted-average sales included in normal value calculations.

It is further not clear whether or not the alleged costs of 'domestic credit' and 'technical support' for domestic barter sales transactions, were also included in the calculation of these adjustment values. Any selling expenses attributable to barter sales should be excluded, and not contribute to the calculation of the claimed adjustment costs. If it is not possible to exclude selling expenses attributable to barter sales, then the adjustment should not be made at all due to the unreliability of the claim.

Adjustments

Technical support

The Commission has accepted a claim for adjustment for Daehan for "technical support" that it is alleged applies to domestic sales. OneSteel submits that the allocation of costs in respect of the provision of services (e.g. technical support) is often contentious and difficult to accurately assess. In many cases, the cost allocations are subjective particularly where services are provided on both domestic and export markets. This is particularly so in

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circumstances where the exporter is integrated with its downstream processing operation. It is invariably the downstream processing operation that requires the majority of the technical support to sell value-added products to the end users. The technical support required for Daehan to sell DBIC to external domestic customers is unlikely to be significantly different to the technical support required to sell DBIC to its export customers.

OneSteel requests that the Commission re-assess whether the claimed technical support costs can be accurately assigned to having been incurred on the Korean domestic market. If this is not the case, the adjustment for technical support must be withdrawn.

Inventory carrying costs

The Daehan visit report states that:

> "*inventory carrying cost in the domestic sales spreadsheet was calculated for each transaction and hard keyed into the spreadsheet. We have revised the inventory carrying cost for DBIC using xx days as a percentage of the claimed inventory carrying period for DBIC (xx days)". "We have made a negative adjustment for inventory carrying cost*."

OneSteel agrees with the Commission's view that "*we do not accept that DBIC is exported as soon as it is produced*" and that a reasonable estimate of inventory carrying period should apply to export sales. It is however, OneSteel's view that inventory carrying costs, whether for domestic or export sales, as relating to DBIC would be insignificant compared to inventory carrying costs relating to DBIL.

OneSteel's view is reinforced by Daehan's own website which reports the "*Benefits of Bar in Coil*" stating "*Bar in coil makes it possible to use the storage space in a more efficient way and to address problems with inventory management arising due to differences in the lengths of deformed straight bars.*"

OneSteel understands that the Commission did not visit the Pyeongtaek facility where DBIC is produced by Daehan as the visit was conducted at Daehan's Seoul offices. As such the Commission would have been unable to test the view put to it by Daehan concerning its inventory carrying requirements for DBIC. The Commission is urged to reconsider whether in fact any adjustment for inventory carrying cost for DBIC is justified or indeed whether it should be removed.

Straights versus Coil

The Daehan EQR states that "*Daehan Steel exported deformed Bar-in-Coil (DBIC) to Australia during the investigation period*." It is unclear from the Daehan visit report whether only domestic sales of DBIC have been used for normal value determination purposes or whether sales of DBIL have also been included.

In the Commission's assessment of total Costs of Goods Sold (COGs), the visit report states:

> *"we reconciled the production quantity and cost to make from the domestic and Australian CTMS spreadsheets to the quantity and value of production for <u>DBIL and DBIC</u> from the inventory ledgers."*

The report's summary of domestic pricing reveals that "*pricing extras would be applied for DBIC (as opposed to DBIL)*".

OneSteel requests that the Commission clarify the inclusion (or exclusion) of DBIL sales in the normal value determination. In the event that DBIL sales have been included, an upward adjustment in normal value is required to reflect the "pricing extras" that exist for DBIC compared to DBIL.

Export sales to Australia

It is noted that the Commission has determined export sales to Australia for Daehan under s.269TAB(1)(c) having regard to all the circumstances of the exportation. Reference is made to export sale been made through an entity. OneSteel questions with the Commission whether the party through which the export sales have been made is paid a fee or commission and consequently, whether Daehan's normal value requires an upward adjustment for the fee (or commission).

OneSteel also seeks clarification as to whether fair comparison has been made between Daehan's domestic and export sales when it appears the former is via two distinct distribution channels to market in Korea and, the latter, is via a single entity to Australia. It is not clear that the sales on both markets are at similar levels.

Closing remarks

In summary, OneSteel is requesting that the Commission:

1. Validate whether the correct grade comparisons have been made between Daehan's domestic and export sales.
2. Ensure adequate disclosure of steel grades compared for normal value determination.
3. Ensure any barter sales are excluded from Daehan's normal value assessments.
4. Re-examine Daehan's claimed adjustment for technical support to ensure that the costs claimed as relating to domestic sales only can be adequately substantiated.
5. Re-examine the validity of the claimed adjustment for inventory carrying cost as it relates to DBIC, given the space-saving benefits attributed to DBIC.
6. Clarify the inclusion (or exclusion) of DBIL sales in the normal value determination. In the event that DBIL sales have been included, an upward adjustment in normal value is required to reflect the "pricing extras" that exist for DBIC compared to DBIL.

If you have any questions concerning this letter please do not hesitate to contact OneSteel's representative Mr John O'Connor on (07) 3342 1921 or Mr Matt Condon of OneSteel on (02) 8424 9880.

Yours sincerely

Matt Condon
Manager – Trade Development
OneSteel Manufacturing Pty Ltd