



Australian Government
Australian Customs Service

AUSTRALIAN CUSTOMS SERVICE

TRADE MEASURES BRANCH

CUSTOMS ACT 1901 – PART XVB

REPORT No. 128

CERTAIN WASHING MACHINES

**EXPORTED BY DAEWOO ELECTRONICS CO. LTD
FROM THE REPUBLIC OF KOREA**

REVIEW OF ANTI-DUMPING MEASURES

21 DECEMBER 2007

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1 SUMMARY

This report provides the results of Customs review of the anti-dumping measures applying to certain washing machines exported to Australia by Daewoo Electronics Co. Ltd (Daewoo) of the Republic of Korea (Korea).

Customs initiated the review on 21 August 2007 after considering an application made by Castel Electronics Pty Ltd (Castel), an Australian importer of Daewoo washing machines.

The sole Australian washing machine manufacturer, Electrolux Home Products Pty Ltd (Electrolux), has announced it will cease production in Australia in March 2008. In view of the foreshadowed cessation of production by the Australian industry, Customs focused the review on the measures relevant to two front loading washing machine models which Castel has an interest in importing from Daewoo in the foreseeable future. To date, Castel has imported a 6.5kg capacity front loading Daewoo washing machine model and intends to also import a 7kg capacity front loading model.

After initially indicating that it would complete an exporter questionnaire, on 18 October 2007 Daewoo advised Customs that it would not be able to provide the required information. In the absence of verified information or any reasonable alternatives upon which to revise the normal values, Customs considers it appropriate to use the normal values as last ascertained for exports by Daewoo.

To date, Castel has imported one model of front loading washing machine. Customs was able to verify information provided by Castel in respect of the imported model and has established an export price for front loading machines of that capacity range. Customs has established an export price for the 7kg capacity model not yet imported by Castel by reference to the agreed export price between Daewoo and Castel.

Customs used verified information supplied by Electrolux and Castel to revise the ascertained non-injurious prices (NIP) for the two categories of machines relevant to the two models nominated by Castel. Customs derived NIPs from unsuppressed selling prices (USPs) based on the average net selling prices in Australia of comparable front loading machines imported by Electrolux, adjusted for feature and capacity differences between the Electrolux and Daewoo machines.

Customs considers that the findings in the review do not provide a basis for recommending that the dumping duty notice be revoked as it applies to exports of the goods by Daewoo.

2 PROCEDURES & BACKGROUND

2.1 AUSTRALIA'S ANTI-DUMPING SYSTEM

Australia's anti-dumping and countervailing legislation reflects the provisions of the World Trade Organization (WTO) Anti-Dumping Agreement and Agreement on Subsidies and Countervailing Measures.

Under s. 269ZA(2) of the *Customs Act 1901 (Act)*, an affected party may apply for a review of anti-dumping measures provided that a review has not been undertaken in the preceding twelve months.

2.2 REVIEW PROCESS

An application must conform with the requirements of the approved form and in cases where an applicant is seeking revocation of measures, include a statement of the circumstances that in the view of the applicant would prevent the Minister, in the absence of anti-dumping measures, from taking such measures. Anti-dumping measures include undertakings accepted under the legislation.

Section 269ZC of the Act stipulates that within 20 days after receipt of an application the CEO must examine it to determine:

- whether it complies with s. 269ZB of the Act; and
- whether there appear to be reasonable grounds for asserting either:
 - that the variable factors relevant to the taking of anti-dumping measures have changed; or
 - that, if the anti-dumping measure to which the application relates had not been taken, the Minister would not be entitled to take such measures.

There are a number of possible outcomes that may result from a review under s. 269ZC of the Act. In the case of a dumping duty notice, the CEO will recommend that:

- the notice remain unaltered; or
- the notice be revoked in its application to a particular exporter or to a particular kind of goods or revoked generally; or
- the notice have effect as if different variable factors had been ascertained.

If an application for review of an anti-dumping measure is lodged and it complies with the requirements, Customs must initiate a formal review. Customs then has up to 155 days to conduct the review and report to the Minister for Home Affairs (Minister), recommending one of the above outcomes.

In accordance with s. 269ZD of the Act, Customs placed a statement of essential facts (SEF) on the public record on 8 November 2007. Interested parties were invited to provide submissions in response to the SEF by 28 November 2007. In the time available for comments, Customs received one submission made by the applicant, Castel. Customs took that submission into account in formulating its recommendations to the Minister.

2.3 THE APPLICATION

On 13 August 2007, Castel lodged an application under section 269ZA of the Act requesting a review of anti-dumping measures applying to certain washing machines exported to Australia from Korea by Daewoo. Castel is an importer, and recently appointed distributor, of washing machines from Daewoo and as such is an affected party entitled to apply for a review of the measures.

Customs examined the application and was satisfied that it met the requirements for the initiation of a review. A report of Customs' consideration of the application is available on the public record.

On 21 August 2007, Customs published a notice in *The Australian* newspaper announcing its decision to conduct a review of the measures as they relate to Daewoo.

A notable development in the Australian washing machine industry in recent years has been the decline in local production. The original applicant for anti-dumping measures, Fisher & Paykel Australia Holdings Limited (Fisher & Paykel), ceased production in Australia in 2006. The remaining Australian producer, Electrolux, has announced that it will cease production in Australia in March 2008.

Castel indicated in its application for review that its washing machine imports from Daewoo in the foreseeable future would be confined to two front loading models, a 6.5 kilogram (kg) capacity model and a 7 kg model. To date, Castel has imported only the 6.5 kg model. The only other importer of washing machines from Daewoo in recent years, NEC Australia Pty Ltd, advised Customs that it does not intend to import washing machines from Daewoo.

The anti-dumping measures set out different variable factors for categories of washing machines according to capacity and whether the machines are top loading or front loading. In view of the foreshadowed cessation of production by the Australian washing machine industry, Customs focused on reviewing the categories of the anti-dumping measures which cover the two front loading models Castel has an interest in importing. The other categories of measures are unlikely to impact on exports by Daewoo up until the time when the measures may again be reviewed.

2.4 GOODS UNDER REVIEW

The goods covered by the measures are fully automatic household top and front loading washing machines (excluding twin-tub washing machines, combined washer/dryers and commercial washing machines whether or not operated by a form of payment), with a dry linen capacity not exceeding 12 kgs.

The goods are classified to subheading 8450.11.00 statistical codes 40, 03 and 04 and subheading 8450.20.00 statistical code 08 of the *Customs Tariff Act 1995*. The goods are subject to a general duty rate of 5 percent.

3 BACKGROUND TO MEASURES

3.1 HISTORY OF THE ANTI DUMPING MEASURES

Anti-dumping measures on washing machines were imposed on 18 September 2003 following Customs' investigation of an application made by Fisher & Paykel on behalf of the Australian industry producing like goods. Exporter specific measures apply to the Korean washing machine exporters (Daewoo, Samsung Electronics Korea and LG Electronics Inc.). An 'all other exporters' rate applies to any other entity that may export washing machines from Korea to Australia.

3.2 PREVIOUS REVIEWS

The anti-dumping measures have been reviewed once since they were imposed, resulting in a change to the variable factors (export price, normal value and non-injurious price as ascertained). The notice declaring the Minister's decision to fix different variable factors as a result of the review was published on 13 July 2005. The investigation period for that review was 1 July 2003 to 30 June 2004. Trade Measures Report No.86 sets out Customs' findings and recommendations.

4 PARTICIPATION IN THE CURRENT REVIEW

Customs visited the applicant, Castel, and the Australian washing machine manufacturer, Electrolux and verified information from both companies.

NEC, an importer of washing machines from Daewoo in recent years, advised Customs that it did not wish to participate in the review as it had ceased importing from Daewoo.

The Korean manufacturer and exporter, Daewoo initially advised Customs that it would complete an exporter questionnaire. However on 18 October 2007, Daewoo advised that it would not be able to provide the required information.

5 EXPORT PRICE

Customs verified information relating to Castel's imports of washing machines purchased from Daewoo up until 30 June 2007. The imports were all of a 6.5 kg capacity front loading model, one of the two front loading models which Castel has an interest in importing from Daewoo in the foreseeable future.

Customs was satisfied that the goods were exported to Australia otherwise than by the importer and were purchased by the importer from the exporter. Customs was satisfied that the purchases of the goods by Castel were arms length transactions.

Customs has established an export price for the imported 6.5 kg model in accordance with s. 269TAB(1)(a) of the Act based on the invoiced price between Castel and Daewoo.

In respect of the 7kg front loading model which Castel proposes to import, Castel provided the agreed price for the purchase of the model from Daewoo. Customs considers that sufficient information has not been furnished, or is not available, to enable the export prices to be ascertained under s. 269TAB(1) or (2) of the Act. In accordance with s. 269TAB(3) of the Act, Customs recommends that the export price for the capacity of front loading machines relevant to the model not yet exported to Australia at the level of the agreed price.

Invoice prices in United States dollars have been converted to Australian dollars using the average exchange rate taken from Customs commercial database for June 2007, the month in which Castel was invoiced for the imported machines.

For all capacity ranges other than those into which the 6.5kg and 7kg machines fall, Customs considers that sufficient information has not been furnished, or is not available, to enable the export prices to be ascertained under subsections 269TAB(1) or (2) of the Act. Customs recommends that, in accordance with s. 269TAB(3) of the Act, the Minister, having regard to all relevant information, determine export prices for the capacity ranges other than those in to which the 6.5kg and 7kg machines fall at the levels last ascertained.

Customs' calculations of export prices are at **confidential appendix 1**.

6 NORMAL VALUE

In its application for review, Castel claimed that the comparable domestic selling price (or normal value) for 6.5 kg front loading model exported to Australia was similar to, or possibly lower than, the selling price to Australia.

As noted above, Daewoo did not provide information to Customs. The information provided by Castel in its application was not supported by evidence and no other party provided information to assist in reviewing the normal values. Customs considers that sufficient information has not been furnished or is not available to enable normal values to be ascertained under the subsections preceding s. 269TAC(6) of the Act. In the circumstances, Customs recommends that the Minister determine normal values for washing machines under subsection 269TAC(6) of the Act using the normal values as last ascertained for exports by Daewoo.

Normal values are at **confidential appendix 2**

7 UNSUPPRESSED SELLING PRICES

A USP is generally used as the basis for establishing the NIP. The NIP is one of the variable factors (along with export price and normal value) under consideration in a review.

A USP is the price at which the Australian industry would be able to sell their goods in a market unaffected by dumped imports.

Customs observes the following hierarchy to establish the USP:

- Australian industry selling prices at a time the Australian market was unaffected by dumping;
- the Australian industry's cost to make and sell plus an appropriate profit that the industry could be expected to achieve in a market unaffected by dumping;
- using the lowest Australian domestic price for non-dumped imports, if it can be shown that those imports set the market price or that those imports influence the price; or
- another appropriate method.

Customs did not receive any submissions from interested parties addressing the most appropriate method for establishing USPs for the review.

Customs notes from its records of imports since July 2006 that washing machines manufactured in Korea have been exported to Australia in small quantities. The majority of imports have been sourced from other countries in Asia that are not subject to anti-dumping measures. Electrolux stated that, in its view, imports from the People's Republic of China and Thailand, and not Korea, were causing price pressures in the Australian washing machine market. An analysis of imports for the period 1 July 2006 to 30 July 2007 is at **confidential appendix 3**.

Customs considers that the small quantity of imports from Korea would have had little or no impact on selling prices in the Australian market and therefore that, for at least the last 18 months, the market for top loading machines

manufactured by the Australian industry has not been affected by dumped goods from Korea.

The sole Australian manufacturer of washing machines, Electrolux, produces top loading machines in Australia and imports significant volumes of front loading washing machines. Customs must establish a USP from which it can derive a NIP (the export price of front loading Daewoo machines that will not injure the market for top loading machines manufactured by the Australian industry). Customs would normally do this by reference to the unsuppressed price of the Australian made goods, in this case top loading machines. However, although considered like goods, top loading and front loading machines have significant differences and are priced differently in the market. Customs considers that, in a market unaffected by dumping, the most appropriate way of setting the USP is by reference to the market selling price of undumped imported front loading machines.

Customs considers that Electrolux's selling prices in Australia of front loading machines would be a reliable measure of prices in a market where dumping is not causing injury to the market for top loading machines produced in Australia. Accordingly, Customs considers that Electrolux' net average selling prices of comparable imported front-loader washing machines for June 2007 (the month of invoice for exports by Daewoo to Castel) are an appropriate basis for establishing USPs.

Customs verified Electrolux's average monthly net selling prices of its front loading washing machines in 2006 and to September 2007. Electrolux nominated two machines in its range of imported front loading machines that it considered the most comparable to the two Daewoo models which Castel has an interest in importing. Electrolux stated that machine features that would have a significant impact on price are capacity, maximum spin speed and control type. The following table summarises the main features of the machines nominated by Electrolux as the closest comparisons.

Manufacturer	Daewoo	Electrolux	Daewoo	Electrolux
Model No.	DWD-F1221	EWF 1087	DWD-FD1432	EWF 1090
Capacity (kg)	6.5	7	7	8
Max spin speed (RPM)	1,000	1,000	1,400	1,000
Controls	Electronic	Push button	Electronic	Push button

Castel agreed with the models Electrolux nominated as the most comparable. As shown in the table above, the Electrolux and Daewoo machines are not identical. Summarised below are adjustments proposed by Castel and Electrolux to the average net selling prices of the Electrolux machines to account for various factors the parties consider impact on the comparability of prices between the models.

Daewoo model DWD-F1221 vs Electrolux model EWF 1087

Electrolux and Castel independently proposed the same amount that the price of the EWF1087 model should be adjusted downwards to account for its higher capacity (7kg) in comparison with the Daewoo model (6.5kg). Castel proposed that the selling price of the Electrolux models should be increased to allow for the fact that the Daewoo model has more expensive electronic controls whereas the Electrolux model has push button controls.

Electrolux, in responding, considered that the amount of increase suggested by Castel for this feature difference was too low and suggested that Customs confirm the costs of the two control types. Electrolux did not provide information on the cost of the controls on the models it imports and Customs was unable to obtain costs of the Daewoo models as Daewoo did not provide information to the review.

Castel, in a letter to Customs dated 27 November 2007, maintained its view on the price differential at the wholesale level due to the different controls.

Castel suggested that brand awareness played an important part in the price comparison of the Daewoo and Electrolux models and that the Electrolux models would receive a premium for this factor. Castel submitted that Electrolux is a household name in Australia and has a long history of distribution in the Australian market. It claimed that, as a result, the price of the comparable Electrolux machines should be adjusted downwards to arrive at USPs for the imported Daewoo models.

Electrolux responded by stating that, until recently, the Electrolux name in Australia has been closely associated with floor care. Electrolux said that although there may be high familiarity of the Electrolux brand in Australia, there was not necessarily a strong awareness in the washing machines sector. Electrolux also pointed to the awareness of the Daewoo brand created through the name's former presence in the Australian car market. Electrolux said that the premium quoted by Castel for brand awareness was excessive but that it would accept a lower amount to account for Electrolux' greater presence in the washing machine market in recent years.

In its letter of 27 November 2007, Castel stated that the Daewoo brand does not have a strong presence in the retail outlets where Electrolux has an established distribution network and sales record. Castel submitted that there was no advertising or promotional advantage attributable to washing machines as a result of brand awareness of Daewoo in the motor vehicle segment. Castel suggested that there was only a potentially negative impact from the brand's sudden exit from the Australian car market some 7 years ago.

Daewoo model DWD-FD1432 vs Electrolux model EWF 1090

Castel proposed that the higher capacity of the Electrolux EWF 1090 model would approximately offset the price impact of its lower maximum spin speed as compared to the Daewoo model.

Electrolux submitted that the price premium associated with the higher maximum spin speed on the Daewoo machine would be significantly greater than the premium associated with larger capacity of the Electrolux machine.

Castel and Electrolux' submissions concerning adjustments for different controls and brand awareness are the same as set out above for the other models.

7.1 Conclusion on adjustments for model differences

Capacity

Customs recommends that the average selling prices of the comparable Electrolux models should be reduced by the amount agreed by Castel and Electrolux to account for the differences in capacities of the Daewoo and Electrolux machines.

RPM

There is no difference in RPM between the Daewoo model DWD-F1221 and the comparable Electrolux model EWF 1087 and therefore no need to make an adjustment. Neither Castel nor Electrolux provided evidence to support its view on the amount of the adjustment that should be made for the difference in RPM between the DWD-FD1432 v EWF 1090 models. Customs recommends that, in the circumstances, a reasonable approach is to take the mid point between the amounts suggested by Castel and Electrolux.

Brand awareness

Customs generally requires that claims for adjustment for fair comparison are based on reasonable evidence that the factor has a price effect and that price effect can be reasonably quantified. In the present case, no evidence was put forward by either party to support the claim for adjustment or the appropriate amount for difference in brand awareness.

However, Electrolux has agreed with Castel that there is a case for an adjustment due to a difference in brand awareness. While Electrolux disagrees with Castel on the amount of the adjustment, Customs recommends that an adjustment be made of the amount suggested by Electrolux. Without persuasive evidence that the amount of the adjustment should be higher, the amount of the adjustment should be limited to the amount proposed by Electrolux.

Machine controls

As Electrolux has not proposed an alternative amount, and there is no evidence to conclude otherwise, Customs recommends that the adjustment for control differences should be the amount proposed by Castel.

8 NON-INJURIOUS PRICE

The USP is a delivered price to Australian customers. To calculate the NIP, post free on board (FOB) exportation costs such as overseas freight and insurance, costs incurred in Australia and where appropriate an amount for the importer's profit, are deducted from the USP.

An example of the NIP calculation follows:

Unsuppressed selling price		100
Less post exportation costs		
• Ocean freight & marine insurance	10	
• Port & broker charges	1	
• Cartage to store	2	
• Selling, general and administrative expenses	8	
• Profit	10	
Total		32
Non-injurious price		68

Customs has calculated NIPs by deducting Castel's verified average into-store costs, ocean freight and marine insurance costs, selling general and administrative expenses and profit from Electrolux' average selling prices in Australia for comparable machines, adjusted for differences between the Daewoo and Electrolux models.

Customs calculations of proposed USPs and NIPs for the two capacity ranges of interest to Castel and NIPs for all other capacity ranges are at **confidential appendix 4**.

9 REVOCATION OF THE MEASURES

Customs received no claims from interested parties that the anti-dumping measures should be revoked in its application to Daewoo. Customs considers that the findings in the review do not provide a basis for recommending that the dumping duty notice be revoked as it applies to exports of the goods by Daewoo.

10 OUTCOME OF THE REVIEW

Customs findings of the review are that the export prices and non-injurious prices for front loading washing machines in the >5.5 to ≤ 6.5 kg and >6.5 to ≤ 7.5 kg capacity ranges have varied from those last ascertained. All other variable factors are the same as those last ascertained.

11 RECOMMENDATIONS

Customs recommends the Minister be satisfied that:

- in accordance with s. 269TAB(3) of the Act, sufficient information has not been furnished or is not available to enable the export price of certain washing machines in all capacity ranges other than the >5.5 to ≤ 6.5 kg range, exported to Australia from Korea by Daewoo, to be ascertained under any preceding subsection of s. 269TAB;
- in accordance with s. 269TAC(6) sufficient information has not been furnished or is not available to enable the normal values of certain washing machines exported to Australia from Korea by Daewoo to be ascertained under any preceding subsection of s. 269TAC.

Customs recommends the Minister determine:

- in accordance with s. 269TAB(3), having regard to all relevant information, the export price of certain washing machines in all capacity ranges other than the >5.5 to ≤ 6.5 kg range exported to Australia from Korea by Daewoo;
- in accordance with s. 269TAC(6), having regard to all relevant information, the normal value of certain washing machines exported to Australia from Korea by Daewoo.

Customs recommends that:

- the dumping duty notice have effect in relation to Daewoo as if different variable factors had been ascertained.

If you agree, to give effect to the recommendations, you should

- sign the attached schedule; and
- declare, by public notice under s. 269ZDB, that with effect from a date specified in the declaration, the notice relevant to the measures applicable to certain washing machines exported to Australia from Korea by Daewoo is to be taken to have effect in relation to Daewoo as if different variable factors had been fixed, relevant to the determination of duty.

12 STATEMENT OF FACTS & EVIDENCE RELIED UPON

In formulating the recommendations in this report, Customs had regard to:

- the application for review;
- submissions to the review;
- the statement of essential facts;
- submissions received within 20 days of placing the statement of essential facts on the public record.

In particular, Customs had regard to:

Topic	Section of report	Evidence relied upon
Export price	5	Information provided by Castel.
Normal value	6	Information from previous review and original investigation
Non-injurious price	7	Information provided by Castel and Electrolux.

13 LIST OF CONFIDENTIAL APPENDICES

Confidential appendix 1	Calculation of export prices
Confidential appendix 2	Normal values
Confidential appendix 3	Analysis of import volumes
Confidential appendix 4	Calculation of USPs and NIPs