



**Australian Government**  
**Department of Industry,  
Innovation and Science**

**Anti-Dumping  
Commission**

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***CUSTOMS ACT 1901 - PART XVB***

**REPORT NO. 402**

**ACCELERATED REVIEW  
OF THE DUMPING DUTY NOTICE AND THE  
COUNTERVAILING DUTY NOTICE APPLYING TO  
ALUMINIUM ROAD WHEELS EXPORTED TO AUSTRALIA  
FROM THE PEOPLE'S REPUBLIC OF CHINA BY  
TAIAN QICHENG WHEEL MANUFACTURING CO., LTD**

**23 JUNE 2017**

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## ABBREVIATIONS

accelerated review period	1 January 2016 to 31 December 2016
the Act	the <i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
the applicant	Taian Qicheng Wheel Manufacturing Company (also referred to in this report as Taian Qicheng)
Arrowcrest	Arrowcrest Group Pty Ltd
ARWs or the goods	aluminium road wheels
China	the People's Republic of China
CITIC Dicastal	Previously CITIC Dicastal Wheel Manufacturing Co. Ltd, now CITIC Dicastal Co., Ltd
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CON 402	<i>Consideration Report No. 402</i>
CTM	cost to make
CTMS	cost to make and sell
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
GOC	Government of China
ICD	interim countervailing duty
IDD	interim dumping duty
Inquiry 378	<i>Continuation Inquiry No. 378</i>
Investigation 181	<i>Investigation No. 181</i>
Jiangsu Yaozhong	Jiangsu Yaozhong Aluminium Wheels Co., Ltd
LME	London Metal Exchange
the notices	the dumping duty notice and the countervailing duty notice applicable to the goods
OCOT	ordinary course of trade
the Parliamentary Secretary	the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science
the Regulation	<i>Customs (International Obligations) Regulation 2015</i>
Review 263	<i>Review of Measures No. 263</i>
REP 181	<i>Final Report No. 181</i>
REP 263	<i>Final Report No. 263</i>
REP 378	<i>Final Report No. 378</i>
SG&A	Selling, general and administrative
Zhejiang Shuguang	Zhejiang Shuguang Industrial Co. Ltd

## 1 SUMMARY AND RECOMMENDATION

### 1.1 Background

This final report has been prepared in response to an application under section 269ZF of the *Customs Act 1901* (the Act)<sup>1</sup> from Taian Qicheng Wheel Manufacturing Co., Ltd ('Taian Qicheng' or 'the applicant') seeking an accelerated review of the dumping duty notice and the countervailing duty notice (the notices) applying to certain aluminium road wheels ('ARWs' or 'the goods') exported to Australia from the People's Republic of China (China), in so far as the notices affect Taian Qicheng.

Taian Qicheng did not export the goods to Australia during the investigation period for the original investigation and is therefore a 'new exporter' as defined in subsection 269T(1).

This report sets out the facts on which the Commissioner of the Anti-Dumping Commission (the Commissioner) is basing his recommendations to the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary).<sup>2</sup>

### 1.2 Application of law to facts

Division 6 of Part XVB provides for eligible parties to apply for an accelerated review of anti-dumping measures. This Division, among other matters:

- sets out the procedures to be followed and the matters to be considered by the Commissioner in conducting accelerated reviews for the purpose of making a report to the Parliamentary Secretary; and
- empowers the Parliamentary Secretary, after consideration of such reports, to leave the notices unchanged, or to declare that the notices have effect with regard to the applicant as if different variable factors had been specified.

Subsection 269ZE(1) sets out that a new exporter may apply for an accelerated review. A new exporter is defined in subsection 269T(1) as an exporter who did not export such goods to Australia at any time during the investigation period in relation to the original application for anti-dumping measures.

### 1.3 Findings and conclusions

After considering the application and making further enquiries, the Commissioner has, in relation to the variable factors for Taian Qicheng's exports of the goods to Australia, found that:

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<sup>1</sup> All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

<sup>2</sup> On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science. For the purposes of this accelerated review, the Minister is the Parliamentary Secretary.

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- the export price be determined under subsection 269TAB(3), having regard to all relevant information, being set equal to the normal value determined. Consequently the export price has changed;
- the normal value be constructed under subsection 269TAC(2)(c) in accordance with section 43, 44 and 45 of the *Customs (International Obligations) Regulations 2015* (the Regulation). Consequently the normal value has changed; and
- the amount of countervailable subsidy received has changed.<sup>3</sup>

### 1.4 Recommendation

Based on the above findings and conclusions, the Commissioner, pursuant to subsection 269ZG(1), recommends that the Parliamentary Secretary alter the notices so as to apply to Taian Qicheng as if different variable factors had been fixed.

If the Parliamentary Secretary accepts these recommendations, to give effect to the decision, the Parliamentary Secretary must declare (by signing and publishing the notice at **Non-Confidential Attachment 1**) that, with effect from the date the application is lodged, the Act and the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act) have effect as if the notices had applied to Taian Qicheng but the Parliamentary Secretary had fixed different variable factors relevant to the determination of duty payable by Taian Qicheng.

The Commissioner further recommends that the Parliamentary Secretary determine that:

- interim dumping duty (IDD) be worked out on Taian Qicheng's exports to Australia in accordance with the *floor price duty* method. If Taian Qicheng's actual export prices of the goods are less than the ascertained exported price, i.e. the floor price, the interim dumping duty will be equal to the difference between the actual export price and the ascertained export price; and
- the interim countervailing duty (ICD) be worked out as a proportion of the actual export price, at the applicable countervailing duty margin of 0.8 per cent.

If accepted by the Parliamentary Secretary, the recommendations of this accelerated review in relation to Taian Qicheng will take effect retrospectively from 15 March 2017 (the date the application was lodged).

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<sup>3</sup> The Commission notes that, as part of the recently completed continuation inquiry no. 378 (Inquiry 378), the Parliamentary Secretary exercised their discretion not to have regard to the lesser duty rule on the basis that a particular market situation exists in respect of the goods in China such that sales in that market are not suitable for determining a price under subsection 269TAC(1). Therefore, the variable factor of non-injurious price does not apply to the notices. No evidence has been provided by the applicant to warrant a departure from the findings in Inquiry 378. Accordingly, the non-injurious price has not been reviewed as part of this accelerated review and the will continue to have no application to the notices.

## 2 BACKGROUND

### 2.1 The goods

#### 2.1.1 Description

The goods the subject of the application are:

*Aluminium road wheels for passenger motor vehicles, including wheels used for caravans and trailers, in diameters ranging from 13 inches to 22 inches. For clarification, the goods include finished or semi-finished aluminium road wheels whether unpainted, painted, chrome plated, forged or with tyres and exclude aluminium wheels for go-carts and All-Terrain Vehicles.*

#### 2.1.2 Tariff classification

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

- 8708.70.91 (statistical code 78);
- 8708.70.99 (statistical code 80); and
- 8716.90.00 (statistical code 39).

### 2.2 Accelerated review process

If a dumping duty notice or a countervailing duty notice has been published in respect of certain goods, a new exporter may request an accelerated review of that notice as it affects that particular exporter.<sup>4</sup> A new exporter is defined in subsection 269T(1) as an exporter who did not export the goods to Australia during the investigation period in relation to the original application for anti-dumping measures.

If an application for an accelerated review of a dumping duty notice or countervailing duty notice is received and not rejected, the Commissioner has up to 100 days after the application is lodged to inquire and report to the Parliamentary Secretary on the accelerated review (subsection 269ZG(2)).

Under subsection 269ZG(1), the Commissioner must, after considering the application and making such inquiries as the Commissioner thinks appropriate, recommend to the Parliamentary Secretary that the dumping duty notice and/or countervailing duty notice:

- remain unaltered; or
- be altered so as to apply to the applicant as if different variable factors had been fixed.

Following the Parliamentary Secretary's decision, a notice is published on the Anti-Dumping Commission (the Commission's) website<sup>5</sup> advising of the decision.

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<sup>4</sup> Subsection 269ZE(1).

<sup>5</sup> [www.adcommission.gov.au](http://www.adcommission.gov.au)

## 2.3 Existing measures

On 7 November 2011, Investigation No. 181 (Investigation 181) into the alleged dumping and subsidisation of ARWs exported to Australia from China was initiated following an application lodged by Arrowcrest Group Pty Ltd (Arrowcrest). In Investigation 181, as outlined in *International Trade Remedies Report No. 181* (REP 181), it was found that:

- ARWs exported to Australia from China were:
  - with the exception of Zhejiang Shuguang Industrial Co. Ltd (Zhejiang Shuguang), dumped with margins ranging from 5.6 per cent to 29.3 per cent; and
  - with the exception of two exporters, Zhejiang Shuguang and CITIC Dicastal Wheel Manufacturing Co. Ltd<sup>6</sup> (CITIC Dicastal), subsidised with margins ranging from 2.8 per cent to 58.8 per cent;
- the dumped and subsidised exports caused material injury to the Australian industry producing like goods; and
- continued dumping and subsidisation may cause further material injury to the Australian industry.

Accordingly, it was recommended that the then Minister for Home Affairs impose anti-dumping measures in the form of IDD and ICD on the goods exported to Australia from China, with the exception of those exporters noted above. The then Minister for Home Affairs accepted the recommendations in REP 181 and on 5 July 2012, notice of the decision was published in the *Commonwealth of Australia Gazette*, *The Australian* newspaper and Anti-Dumping Notice (ADN) No. 2012/33.<sup>7</sup>

On 15 September 2014, the Commissioner initiated review of measures no. 263 (Review 263) in respect of ARWs exported to Australia from China by all exporters subject to anti-dumping measures following an application by Jiangsu Yaozhong Aluminium Wheels Co., Ltd (Jiangsu Yaozhong). As a result of Review 263, the Commissioner recommended that the variable factors of normal values, export prices, non-injurious prices and the amount of countervailable subsidies received be altered.

As outlined in *Final Report No. 263* (REP 263), it was found that:

- ARWs exported to Australia from China were:
  - with the exception of Zhejiang Shuguang and Jiangsu Yaozhong, dumped with margins ranging from 7.8 per cent to 40.3 per cent; and
  - with the exception of Zhejiang Shuguang, Jiangsu Yaozhong and CITIC Dicastal, subsidised with margins ranging from 2.5 per cent to 57.6 per cent.

The then Assistant Minister for Science accepted the recommendations in REP 263 and on 22 October 2015, notice of the decision was published in the *Commonwealth of Australia Gazette*, *The Australian* newspaper, and in ADN No. 2015/113.

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<sup>6</sup> Now named CITIC Dicastal Co., Ltd.

<sup>7</sup> All ADNs and past reports referenced in this report can be found on the Commission's website.

On 8 August 2016, a notice was published on the Commission's website inviting certain persons to apply for the continuation of anti-dumping measures regarding the goods exported to Australia from China, in accordance with subsection 269ZHB(1).

On 29 September 2016, an application for continuation of the anti-dumping measures was received from Arrowcrest, representing the Australian industry for ARWs. On 27 October 2016, having considered the application, the Commissioner decided not to reject the application and initiated Inquiry 378 into whether the continuation of the anti-dumping measures is justified.

As a result of Inquiry 378, the Commissioner recommended that the variable factors of normal values, export prices, non-injurious prices and the amount of countervailable subsidies received be altered. The Parliamentary Secretary accepted the recommendations in *Final Report No. 378* (REP 378) and on 19 June 2017, notice of the decision was published on the Commission's website, and in ADN No. 2017/75.

The effect of Inquiry 378 is that:

- the dumping duty notice currently applying to the goods exported to Australia from China continue in force after 4 July 2017,<sup>8</sup> however after that day:
  - the notice ceases to apply to CITIC Dicastal; and
  - the notice has effect, in relation to exporters generally, as if different variable factors had been fixed relevant to the determination of duty; and
- the countervailing duty notice continues in force after 4 July 2017,<sup>9</sup> but after that day, the notice has effect, in relation to exporters generally, as if different variable factors had been fixed relevant to the determination of duty.

## 2.4 Notification and participation

On 15 March 2017, Taian Qicheng lodged an application for an accelerated review of the notices applying to the goods exported to Australia from China in so far as the notices affect Taian Qicheng.

The Commissioner considered the application to determine if it was made in accordance with sections 269ZE and 269ZF. The Commissioner considered that:

- the circumstances in which an accelerated review can be sought under subsection 269ZE(1) have been satisfied;
- the conditions for rejection under subsection 269ZE(2) were not satisfied; and
- the application satisfies the requirements of subsection 269ZF(1).

Accordingly, the Commissioner did not reject the application. *Consideration Report No. 402* (CON 402) provides further details in relation to the Commissioner's consideration of the application. CON 402 should be read in conjunction with this report.

The commencement of this accelerated review was notified in ADN No. 2017/44, which was published on 4 April 2017. ADN No. 2017/44 advised that the

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<sup>8</sup> With the exception of Zhejiang Shuguang and CITIC Dicastal.

<sup>9</sup> With the exception of Zhejiang Shuguang and CITIC Dicastal.



Commissioner's recommendation to the Parliamentary Secretary will be made in a report on or before 23 June 2017.

For the purposes of the accelerated review, the period examined was 1 January 2016 to 31 December 2016 (herein referred to as the accelerated review period).

## **2.5 Exporter questionnaire response**

### **2.5.1 Taian Qicheng's exporter questionnaire response**

Upon the commencement of the accelerated review, the Commission sent an exporter questionnaire to Taian Qicheng to complete.

On 28 April 2017, the Commission received a completed exporter questionnaire response from Taian Qicheng. A non-confidential version of this response is available on the public record.<sup>10</sup>

Taian Qicheng's response contained information and data in relation to its:

- company structure and organisation chart;
- business licence registration;
- product brochure;
- turnover, audited financial statements and income tax records;
- domestic sales with supporting documentation for sales;
- purchase of raw materials;
- domestic production and selling costs for like goods; and
- production process and production volumes.

Taian Qicheng co-operated with the accelerated review and has provided detailed financial data in its exporter questionnaire response within the required timeframes. The Commission elected not to conduct an on-site verification of the information and data provided in Taian Qicheng's exporter questionnaire response.

The Commission has various other means for testing the accuracy, relevance and completeness of data to a satisfactory level. A number of tests have been undertaken on Taian Qicheng's data for the purpose of this accelerated review. Those tests include comparison of Taian Qicheng's data to:

- data verified in Inquiry 378;
- data from the Australian Border Force import database; and
- source documents including tax returns, financial statements and sales invoices.

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<sup>10</sup> Document Nos. 3 and 4 on the electronic public record for case no. 402.

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The Commission also sought clarification and further responses from Taian Qicheng in regards to a range of topics associated with its production and sale of like goods and subsidy programs availed by it.

Taian Qicheng co-operated and provided responses to the Commission's queries within the set deadlines. The Commission is satisfied as to the accuracy, relevance and completeness of the data supplied by Taian Qicheng upon which the findings of this accelerated review are based.

### **2.6 Public record**

There is no legislative requirement for the Commissioner to maintain a public record for accelerated reviews. However, in the interests of ensuring this process is conducted in an open and transparent manner, a public record for this accelerated review has been maintained and is accessible on the Commission's website.

## 3 EXPORT PRICE

### 3.1 Findings

The Commission has found that Taian Qicheng did not export the goods to Australia during the accelerated review period. As such, sufficient information is not available to determine the export price of the goods under subsection 269TAB(1). It is the Commission's view that application of subsection 269TAB(1) would require Taian Qicheng to have exported the goods to Australia. Since Taian Qicheng did not export the goods to Australia during the accelerated review period, subsection 269TAB(1) cannot apply.

Specifically, sufficient information is not available to determine the export price of the goods using:

- the price paid or payable by the importer to the exporter;<sup>11</sup>
- the price in Australia less prescribed deductions;<sup>12</sup> or
- the price having regard to all the circumstances of the exportation.<sup>13</sup>

Therefore, the Commission has determined an export price under subsection 269TAB(3) having regard to all relevant information.

Specifically, the Commission considers it appropriate to determine the ascertained export price to be the same amount as that determined to be the ascertained normal value for the purposes of this accelerated review as Taian Qicheng did not export the goods to Australia during the accelerated review period.

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<sup>11</sup> Subsection 269TAB(1)(a).

<sup>12</sup> Subsection 269TAB(1)(b).

<sup>13</sup> Subsection 269TAB(1)(c).

## 4 NORMAL VALUE

### 4.1 Findings

Due to there being a particular market situation in the Chinese domestic ARWs market, the normal value has been established in accordance with subsection 269TAC(2)(c), using the constructed normal value method. Relevant adjustments have been made to the normal value to ensure comparability to the export price of Taian Qicheng's future exports of the goods to Australia.

The Commission recommends that any IDD be calculated in accordance with the floor price duty method. For this accelerated review, as the ascertained export price is equal to the ascertained normal value, the dumping margin is zero per cent. A variable component of IDD will be applicable where the actual export price is below the ascertained export price.

### 4.2 Particular market situation

#### 4.2.1 Previous findings

The original investigation, Investigation 181, found there was a situation in the Chinese ARWs market during the investigation period,<sup>14</sup> such that domestic ARWs sales were not suitable for use in determining normal values under subsection 269TAC(1).<sup>15</sup>

Consistent with Investigation 181, in Review 263<sup>16</sup> and Inquiry 378,<sup>17</sup> the Commission considered that a market situation had continued to affect the domestic selling prices of ARWs in China. In making its market situation assessments for China, the Commission has consistently found that:

- the Government of China (GOC) has influenced the upstream Chinese aluminium industry via broad macroeconomic policies, as well as implementing associated policies and taxation initiatives;
- the GOC's influence was likely to have materially distorted competitive conditions, and directly affected both the price and supply of the main raw material used in the manufacture of ARWs (primary aluminium and aluminium alloys A356 and A356.2); and
- given the primary and alloyed aluminium markets are upstream to the ARW market, the aluminium costs incurred by Chinese ARW manufacturers do not reasonably reflect competitive market costs in terms of subsection 43(2)(b)(ii) of the Regulation.<sup>18</sup>

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<sup>14</sup> Investigation 181 examined a period of 1 July 2010 to 30 June 2011.

<sup>15</sup> REP 181.

<sup>16</sup> Review 263 examined a period of 1 July 2013 to 30 June 2014.

<sup>17</sup> Inquiry 378 examined a period of 1 July 2015 to 30 June 2016.

<sup>18</sup> Further information can be found in REP Nos. 181, 263 and 378.

#### **4.2.2 Determination for accelerated review**

The Commission notes that the inquiry period examined as part of Inquiry 378 (1 July 2015 to 30 June 2016) overlaps the accelerated review period (1 January 2016 to 31 December 2016) for a period of six months. The Commission has not received any information as part of this accelerated review which would warrant departure from its previous findings.

During this accelerated review, the Commission has considered all relevant information, including the evidence in Inquiry 378 and other more recent market intelligence, such as the prevailing international primary aluminium prices on the London Metal Exchange (LME) and other prevailing costs to convert that primary aluminium to aluminium alloy for manufacturers in China, and determined that there is a particular market situation in the Chinese ARWs market that renders sales in that market not suitable for use in determining a price under subsection 269TAC(1) for the purposes of this accelerated review. Therefore, the normal value of the goods has been ascertained under subsection 269TAC(2)(c).

#### **4.3 Constructed normal value**

Subsection 269TAC(2)(c) provides that, where the normal value cannot be ascertained under subsection 269TAC(1), the normal value of the goods may be determined on the basis of a cost construction, calculated as the sum of:

- such amount as the Minister determines to be the cost of production or manufacture of the goods in the country of export; and
- on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade (OCOT) in the country of export, the selling, general and administrative (SG&A) costs associated with such a sale and the profit on that sale.

#### **4.4 The Commission's assessment of normal value**

##### **4.4.1 Cost of production**

As required by subsection 269TAC(5A)(a), in ascertaining the normal value of the goods under subsection 269TAC(2)(c), the cost of production of the goods was established in accordance with section 43 of the Regulation.

As Taian Qicheng has made no export sales of the goods during the accelerated review period, there is no cost to make data (CTM) relating to exports which may be used as basis to construct the normal value. As a result, the Commission considers it reasonable to use Taian Qicheng's CTM for like goods sold domestically during the accelerated review period for the purpose of constructing normal values.

Section 43 of the Regulation provides that the cost of production must be worked out by using the information set out in Taian Qicheng's records if the records are in accordance with generally accepted accounting principles in China and reasonably reflect competitive market costs associated with the production or manufacture of like goods.

In Inquiry 378, after having regard to all relevant information, the Commission found that the GOC has influenced the Chinese aluminium industry, and it was concluded that, in determining the cost of manufacture of ARWs in China, the records of Chinese exporters of ARWs did not reasonably reflect competitive market costs associated with the production or manufacture of those goods, for the purposes of section 43 of the Regulation. In the current accelerated review, the Commission performed a comparative analysis of Taian Qicheng's actual aluminium alloy purchase price with that of aluminium alloy bought competitively from the international market. Similar to Inquiry 378, the Commission found that Taian Qicheng's actual aluminium alloy purchase prices procured domestically were consistently and significantly below the Commission's assessment of competitive market benchmark prices for aluminium alloy. Hence the Commission considers that Taian Qicheng's aluminium alloy costs are not competitive market costs.

As a result, the Commission has adjusted Taian Qicheng's reported primary aluminium alloy costs. Consistent with the findings in Inquiry 378, Taian Qicheng's aluminium alloy costs have been adjusted to reflect aluminium alloy costs which are considered to be competitive market benchmark prices for aluminium alloy. The aluminium alloy benchmark is based on contemporaneous LME cash prices<sup>19</sup> plus an uplift for alloys and other reasonable costs, port premiums and charges (such as delivery).

The Commission compared Taian Qicheng's actual aluminium alloy costs to the competitive market benchmark for each quarter of the accelerated review period. The variance between the actual reported costs and the benchmark was then applied to uplift the aluminium alloy costs reported in Taian Qicheng's export CTM by the weighted average percentage of the variance for each relevant quarter.

The competitive market benchmark used for the purpose of this accelerated review is at **Confidential Appendix 1**.

#### **4.4.2 Selling, general and administrative costs**

As required by subsection 269TAC(5A)(b), in ascertaining the normal value of the goods under subsection 269TAC(2)(c), the SG&A costs were established in accordance with section 44 of the Regulation.

Taian Qicheng provided information on SG&A costs associated with the domestic sales of like goods.

Consistent with the requirements of subsection 44(2) of the Regulation, the Commission is satisfied that Taian Qicheng's records are in accordance with the generally accepted accounting principles in China, and the records reasonably reflect the SG&A costs associated with the sale of like goods. As such, the Commission has used Taian Qicheng's SG&A costs in constructing its normal value.

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<sup>19</sup> Tian Qicheng confirmed that it purchased aluminium using a spot price and not a contract price.

#### **4.4.3 Profit**

As required by subsection 269TAC(5B), when ascertaining the normal value of the goods under subsection 269TAC(2)(c), the amount of profit included in the normal value was determined having regard to section 45 of the Regulation.

Subsection 45(2) of the Regulation provides that, if reasonably practicable, profit is to be determined by using data relating to the production and sale of like goods by the exporter of the goods in the OCOT.

The Commission calculated a weighted average profit margin for the goods based on the different models of like goods sold domestically in accordance with subsection 45(2) of the Regulation. The calculation of this profit margin was based on domestic sales of ARWs in the OCOT, the selling prices of which were compared to the company's domestic cost to make and sell (CTMS) for like goods as reported in the company's response to the exporter questionnaire (prior to the adjustments made to the aluminium alloy costs discussed above).

Profit and OCOT calculations can be found in **Confidential Appendices 3 and 5**.

#### **4.4.4 Adjustments**

As the normal value has been ascertained in accordance with subsection 269TAC(2)(c), the Commission considers the following adjustments are required in accordance with subsection 269TAC(9), in order to ensure the normal value is properly comparable with the export price of the goods at a free on board level:

- inland freight – an upwards adjustment was made to account for export related inland transport cost to the port of export;
- port charges – an upward adjustment was made to account for port charges related to export sales; and
- credit adjustment – an upwards adjustment was made to account for export credit costs.<sup>20</sup>

Normal value and export price calculations are at **Confidential Appendices 4, 5 and 7**.

#### **4.4.5 Submissions**

No submissions were received in relation to this accelerated review.

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<sup>20</sup> The Commission notes that, as there were no export sales to Australia, the adjustments outlined above are reasonable amounts based on costs incurred by Taian Qicheng in relation to its export sales to other countries.

## 5 COUNTERAVAILABLE SUBSIDIES

### 5.1 Findings

Pursuant to subsection 269TAAC(1), the Commissioner considers that Taian Qicheng received subsidies during the accelerated review period under:

- one program that was deemed to be countervailable in Inquiry 378 (Program 42); and
- one program that was deemed to be countervailable in Investigation 181 (Program 43).

The subsidies availed under these programs collectively account for 0.8 per cent of the ascertained export price for the accelerated review period.

### 5.2 Legislative requirement for countervailable subsidies

Section 269TAAC defines a countervailable subsidy as follows:

- (1) For the purposes of this Part, a subsidy is a countervailable subsidy if it is specific.*
- (2) Without limiting the generality of the circumstances in which a subsidy is specific, a subsidy is specific:*
  - (a) if, subject to subsection (3), access to the subsidy is explicitly limited to particular enterprises; or*
  - (b) if, subject to subsection (3), access is limited to particular enterprises carrying on business within a designated geographical region that is within the jurisdiction of the subsidising authority; or*
  - (c) if the subsidy is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance; or*
  - (d) if the subsidy is contingent, whether solely or as one of several conditions, on the use of domestically produced or manufactured goods in preference to imported goods.*
- (3) Subject to subsection (4), a subsidy is not specific if:*
  - (a) eligibility for, and the amount of, the subsidy are established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification; and*
  - (b) eligibility for the subsidy is automatic; and*
  - (c) those criteria or conditions are neutral, do not favour particular enterprises over others, are economic in nature and are horizontal in application; and*
  - (d) those criteria or conditions are strictly adhered to in the administration of the subsidy.*
- (4) The Parliamentary Secretary may, having regard to:*
  - (a) the fact that the subsidy program benefits a limited number of particular enterprises; or*



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- (b) the fact that the subsidy program predominantly benefits particular enterprises; or*
- (c) the fact that particular enterprises have access to disproportionately large amounts of the subsidy; or*
- (d) the manner in which a discretion to grant access to the subsidy has been exercised;*

*determine that the subsidy is specific.*

*(5) In making a determination under subsection (4), the Parliamentary Secretary must take account of:*

- (a) the extent of diversification of economic activities within the jurisdiction of the subsidising authority; and*
- (b) the length of time during which the subsidy program has been in operation.*

Sections 269TACC and 269TACD concern determinations by the Parliamentary Secretary whether a benefit has been conferred by a financial contribution or price support, and the amount of this benefit.

### 5.3 Programs reviewed

The Commission requested that Taian Qicheng provide data and information relating to all countervailable subsidies it received during the accelerated review period as part of its exporter questionnaire response.

After assessing all relevant information provided by Taian Qicheng, the Commission found that countervailable subsidies have been received in respect of goods manufactured by Taian Qicheng under two programs, namely:

- 'Program 42 – Export credit insurance subsidy'; and
- 'Program 43 – Small enterprise subsidy'.

#### Program 42

As outlined in REP 181, this program encourages certain enterprises to expand into the international market by providing assistance with exchange rate fluctuations.

Based on information available, the Commission considers that the grant provided under this program is a financial contribution by the GOC, to the extent that it is made in connection with the production/manufacture of ARWs from China, which involves a direct transfer of funds by GOC to the recipient enterprises in China.

This financial contribution is considered to confer a benefit to recipient manufacturers of ARW because of receipt of the respective funds from the GOC. Where Taian Qicheng received monies under this program in connection with the production, manufacture or export of those goods it would confer a benefit in relation to those goods and the financial contribution would meet the definition of subsidy under section 269T.

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Due to the nature of the grant, (i.e. to encourage export) it is reasonable to consider that a financial contribution received under this program by ARW manufacturers could be made in connection to the production, manufacture or export of ARWs.

As provided for in subsection 269TAAC(2)(a) a subsidy is specific if it is explicitly limited by law to particular enterprises. In addition, a subsidy is specific if it is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance. Based on the information available the Commission considers that the criteria for this program favours export enterprises over all other exporters and is contingent on export performance, meaning that it is specific. The specificity of the program is not excepted by subsection 269TAAC(3).

### Program 43

As outlined in REP 181, the purpose of this program is to support technology advancement, energy conservation and emission reduction and coordination of SMEs.

Based on the information available, the Commission considers that the grant provided under this program is a financial contribution by the GOC, to the extent that it is made in connection with the production/manufacture of ARW from China, which involves a direct transfer of funds by GOC to the recipient enterprises in China.

This financial contribution is considered to confer a benefit to recipient manufacturers of ARW because of receipt of the respective funds from the GOC. Where Taian Qicheng received monies under this program in connection with the production, manufacture or export of those goods it would confer a benefit in relation to those goods and the financial contribution would meet the definition of subsidy under section 269T.

Due to the nature of the grant, (i.e. to encourage SMEs) it is reasonable to consider that a financial contribution received under this program by ARW manufacturers could be made in connection to the production, manufacture or export of ARWs.

As provided for in subsection 269TAAC(2)(a) a subsidy is specific if it is explicitly limited by law to particular enterprises. Based on the information available the Commission considers that the criteria for this program favours certain enterprises over all others and is therefore specific. The specificity of the program is not excepted by subsection 269TAAC(3).

### Other programs assessed

In respect of program 15 (aluminium provided at less than adequate remuneration), the Commission did not find evidence of any subsidies received by Taian Qicheng, because there were no purchases of aluminium from a state owned enterprise.

## **5.4 Amount of countervailable subsidy received**

The Commission determined the amount of the subsidy as the actual amount of benefit received.

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The Commission calculated a subsidy margin in accordance with subsection 10(3B) of the Dumping Duty Act.

To calculate the subsidy margin, the Commission calculated the unit value of the subsidies by attributing the benefit received to Taian Qicheng's turnover volume as reported in the exporter questionnaire response. The Commission notes Program 42 is an export related subsidy, therefore in calculating the subsidy margin, the Commission attributed the benefit received in relation to this program to the export related turnover volume only. In contrast, Program 43 relates to Taian Qicheng's total company sales, therefore in calculating the subsidy margin, the Commission attributed the benefit received in relation to this program to total company turnover volume.

The Commission has determined that the subsidy margin is 0.8 per cent when the unit values calculated above are expressed as a percentage of the ascertained export price.

Subsidy calculations are at **Confidential Appendix 6**.

## 6 EFFECT OF THE ACCELERATED REVIEW

If the Parliamentary Secretary accepts the recommendations in this report, in respect of ARWs exported to Australia from China by Taian Qicheng:

- the notices will be altered so as to apply to Taian Qicheng as if different variable factors had been fixed;
- the *floor price* duty method will apply, where IDD will be payable only when the actual export price is below the ascertained export price; and
- ICD will be payable for the exported goods, as a proportion of the actual export price at a rate of 0.8 per cent.

If the Parliamentary Secretary accepts the recommendations in this report:

- these changes will take effect retrospectively from 15 March 2017 (being the date the application was lodged); and
- Taian Qicheng will not be eligible to seek another accelerated review.

A summary of the ascertained variable factors is at **Confidential Appendix 7**.

## 7 RECOMMENDATION

The Commissioner has found that, in relation to ARWs exported to Australia from China by Taian Qicheng:

- the ascertained export price should be altered;
- the ascertained normal value should be altered; and
- the amount of countervailable subsidy received should be altered.

The Commissioner recommends that the Parliamentary Secretary consider this report, and if agreed, sign the attached notice (Non-confidential Attachment 1) to declare:

- under subsection 269ZG(3)(b), that, with effect from 15 March 2017, the Act and the Dumping Duty Act have effect as if the notices had applied to Taian Qicheng but specified different variable factors had been fixed in respect of Taian Qicheng (as set out in **Confidential Appendix 7**), relevant to the determination of duty.

The Commissioner recommends that the Parliamentary Secretary be satisfied that:

- in accordance with subsection 269TAC(2)(a)(ii), the normal value of the goods exported to Australia from China by Taian Qicheng cannot be ascertained under subsection 269TAC(1) because the situation in the market of China is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1);
- in accordance with subsection 269TAB(3), sufficient information is not available to enable export prices for the goods exported to Australia from China by Taian Qicheng to be ascertained under the preceding subsections of section 269TAB; and
- in accordance with subsection 269TACD(1), countervailable subsidies have been received in respect of the goods exported to Australia by Taian Qicheng during the accelerated review period.

The Commissioner recommends that the Parliamentary Secretary determine:

- having regard to subsection 269TAAC(2) and (3), and in accordance with subsection 269TAAC(4) and (5), that the subsidies set out in Chapter 5 are specific having regard to specificity of the subsidies program;
- in accordance with subsection 269TAB(3), the export price for the goods exported to Australia from China by Taian Qicheng is the amount as set out in **Confidential Appendix 7**, which has been determined having regard to all relevant information;
- in accordance with subsection 269TAC(2)(c), the normal value for ARWs exported to Australia from China is the sum of:
  - Taian Qicheng's cost of production of the goods in China as set out in **Confidential Appendix 2**; and
  - on the assumption that the goods, instead of being exported, had been sold for home consumption in the OCOT in China, the SG&A costs

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associated with such a sale and the profit on that sale as set out in **Confidential Appendices 3 and 4**,

as adjusted in accordance with subsection 269TAC(9) and set out in section 4.4.4 and **Confidential Appendix 6** of this report and **Confidential Appendix 4** to ensure that the normal value so ascertained is properly comparable with the export price;

- that in accordance with subsection 8(5) of the Dumping Duty Act, the IDD payable is an amount which will be worked out in accordance with the floor price duty method pursuant to subsection 5(4) of the *Customs Tariff (Anti-Dumping) Regulation 2013*;
- in accordance with subsection 269TACC(1), that, having regard to all relevant information and subsections 269TACC(2) and (3), Taian Qicheng has received financial contributions from the GOC, as set out in Chapter 5 and **Confidential Appendix 6**, that confers a benefit; and
- in accordance with subsection 269TACD(1), that the amount of countervailable subsidy received in respect of the goods exported by Taian Qicheng is a specified amount per wheel, as set out in **Confidential Appendices 6 and 7**.

The Commissioner recommends that the Parliamentary Secretary direct:

- in accordance with subsection 10(3B) of the Dumping Duty Act, that the amount of ICD payable on the goods the subject of the countervailing duty notice be ascertained as a proportion of the export price of those goods. The rate of countervailing duty applying to Taian Qicheng's exports of the goods shall be 0.8 per cent.

**APPENDICES AND ATTACHMENTS**

Non-Confidential Attachment 1	Subsection 269ZG(3)(b) Notice
Confidential Attachment 2	Confidential Table
Confidential Appendix 1	Aluminium Benchmark
Confidential Appendix 2	Domestic Sales and OCOT
Confidential Appendix 3	Uplifted CTMS
Confidential Appendix 4	Adjustments
Confidential Appendix 5	Normal Value
Confidential Appendix 6	Subsidy Calculations
Confidential Appendix 7	Summary of Variable Factors