



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

**Anti-Dumping
Commission**

CUSTOMS ACT 1901 - PART XV B

FINAL REPORT NO. 408

**ACCELERATED REVIEW OF A
DUMPING DUTY NOTICE AND COUNTERVAILING DUTY
NOTICE APPLYING TO**

**ZINC COATED (GALVANISED) STEEL EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA**

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ABBREVIATIONS

ACBPS	Australian Customs and Border Protection Service
the accelerated review period	1 April 2016 to 31 March 2017
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
the applicant	Shandong Guanzhou Dingxin Plate Technology Co., Ltd. (also referred to as Shandong)
BlueScope	BlueScope Steel Limited
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CON 408	<i>Anti-Dumping Commission Consideration Report No. 408</i>
CTM	cost to make
CTMS	cost to make and sell
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
Dumping Duty Regulation	<i>Customs Tariff (Anti-Dumping) Regulation 2013</i>
FOB	Free on Board
GAAP	generally accepted accounting principles
galvanised steel	zinc coated (galvanised) steel
the goods	the goods the subject of the application, galvanised steel
HRC	hot rolled coil
ICD	interim countervailing duty
IDD	interim dumping duty
the notices	the dumping duty notice and countervailing duty notice applying to zinc coated (galvanised) steel
NIP	non-injurious price
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>
REP 190	<i>International Trade Remedies Branch Report No. 190</i>
REP 193	<i>International Trade Remedies Branch Report No. 193</i>

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REP 365 et al	<i>Anti-Dumping Commission Report Nos. 365, 366, 367, 368, 371, 372, 374, 375 and 376</i>
REQ	response to the exporter questionnaire
SG&A	selling, general and administrative
VAT	value added tax

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

This final report has been prepared in response to an application under section 269ZF of the *Customs Act 1901*¹ (the Act) from Shandong Guanzhou Dingxin Plate Technology Co., Ltd (Shandong, the applicant) seeking an accelerated review of the dumping duty notice and countervailing duty notice (the notices) applying to zinc coated (galvanised) steel (referred to as the goods or galvanised steel) exported to Australia from the People's Republic of China (China), in so far as the notices affect Shandong.

Shandong 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) of the Act.

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).²

1.2 Application of law to facts

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

- o 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
- o empowers the Parliamentary Secretary, after consideration of such report, to leave the dumping duty notice or countervailing duty notice unaltered or to alter them as appropriate.

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 application for publication of the dumping duty and countervailing duty notices in respect of the goods.

1.3 Findings and conclusions

Based on all relevant and available information, the Commissioner has, in relation to the variable factors for Shandong's exports of galvanised steel to Australia, found that:

¹ Unless otherwise specified all legislative references in this report are to the *Customs Act 1901*.

² 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 determined normal value . Consequently the export price has changed;
- the normal value be constructed under subsection 269TAC(2)(c) in accordance with sections 43, 44 and 45 of the *Customs (International Obligations) Regulation 2015* (the Regulation). Consequently the normal value has changed;
- the amount of countervailable subsidy received has changed; and
- the non-injurious price (NIP) has changed.

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 Shandong as if different variable factors had been fixed.

The Commissioner recommends that:

- the Parliamentary Secretary determine that interim dumping duty (IDD) be worked out on Shandong's exports to Australia in accordance with the floor price duty method. If Shandong's actual export prices of galvanised steel are less than the ascertained normal value i.e. the floor price, the IDD will be equal to the difference between the actual export price and the ascertained normal value; and
- the Parliamentary Secretary determine that interim countervailing duty (ICD) be worked out as a proportion of the export price of those particular goods, at the applicable countervailing duty margin of zero per cent.

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 **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 Shandong but the Parliamentary Secretary had fixed specified different variable factors relevant to the determination of duty payable.

If accepted by the Parliamentary Secretary, the individual rates applicable to Shandong will take effect from 17 April 2017 (the date the application was lodged).

2 BACKGROUND

2.1 The goods

2.1.2 Description

The goods the subject of the dumping duty notice are:

flat rolled products of iron and non-alloy steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc; and

flat rolled products of alloyed steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc exported from:

- *China by Angang Steel Co., Ltd or Benxi Iron and Steel (Group) International Economic & Trading Co.; or*
- *Taiwan by Yieh Phui Enterprise Co., Ltd.*

The goods the subject of the countervailing duty notice are:

flat rolled products of iron and non-alloy steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc; and

flat rolled products of alloy steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc exported from China by Benxi Iron and Steel (Group) International Economic & Trading Co.

Galvanised steel of any width is included.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per metre squared (g/m²) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). Common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

The trade names and other names often used to describe galvanised steel include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVSPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The galvanised steel application covers galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

Painted galvanised steel, pre-painted galvanised steel and electro-galvanised plate steel are not considered to be the goods.

2.1.3 Tariff classification

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

- 7210.49.00 (statistical code 55,56,57,58)
- 7212.30.00 (statistical code 61)
- 7225.92.00 (statistical code 38*) and
- 7226.99.00 (statistical code 71*).

2.2 The accelerated review process

If a dumping duty notice and/or a countervailing duty notice has been published in respect of certain goods, a new exporter, as defined in subsection 269T(1), may request an accelerated review of those measures in so far as they affect that exporter.

If an application for an accelerated review of anti-dumping measures is received and not rejected, the Commissioner has up to 100 days after the application is lodged to conduct his review and complete a report for the Parliamentary Secretary.³

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 notice the subject of the application:

- 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 Commission website advising of the decision.

2.3 Existing measures

2.3.1 Investigation 190 (Original Investigation)

On 5 September 2012, a dumping investigation into galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan was initiated following an application by BlueScope Steel Limited (BlueScope).

*These tariff subheadings relate to alloyed galvanised steel, relevant only to the goods if they are exported from India, Malaysia and Vietnam, or are exported by Angang Steel Co. Ltd (China), Benxi Iron and Steel (Group) International Economic and Trading Co. (China) and Yieh Phui Enterprise Co. Ltd (Taiwan).

³ Subsection 269ZG(2) refers.

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On 26 November 2012, a countervailing investigation into galvanised steel and aluminium zinc coated steel exported to Australia from China was initiated following a further application by BlueScope.

The dumping investigation, as outlined in *International Trade Remedies Branch Report No. 190* (REP 190),⁴ found that:

- galvanised steel exported to Australia from China, Korea and Taiwan during the investigation period was dumped with margins ranging from 2.6% to 62.9%;
- aluminium zinc coated steel exported to Australia from China and Korea was dumped with margins ranging from 5.5% to 19.3%;
- the volume of dumped goods from each of these countries, and the dumping margins were not negligible;
- the dumped exports caused material injury to the Australian industry producing like goods; and
- continued dumping may cause further material injury to the Australian industry.

The countervailing investigation, as outlined in *International Trade Remedies Branch Report No. 193* (REP 193),⁵ found that:

- galvanised steel exported to Australia from China was subsidised with margins ranging from 5.2% to 22.8%;
- aluminium zinc coated steel exported to Australia from China was subsidised with margins ranging from 5.0% to 21.7%;
- the volumes of subsidised goods from China was not negligible, and the subsidy margins were not negligible;
- the subsidised goods caused material injury to the Australian industry producing like goods; and
- continued subsidisation may cause further material injury to the Australian industry.

On 5 August 2013, the then Attorney-General, following consideration of REP 190 and REP 193, published:

- a dumping duty notice applying to galvanised steel exported to Australia from China, Korea (with the exception of Union Steel Co., Ltd) and Taiwan (with the exception of Ta Fong Steel Co., Ltd and Sheng Yu Co., Ltd). The form of anti-dumping measures applying to the dumping duty notice was the combination of fixed and variable duty method (combination duty method);
- a dumping duty notice applying to aluminium zinc coated steel exported to Australia from China and Korea (with the exception of Union Steel Co., Ltd from Korea);

⁴ REP 190 investigated the dumping of galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Due to the close nature of these products and common interested parties, findings concerning both products were detailed in one report.

⁵ REP 193 investigated the subsidisation of galvanised steel and aluminium zinc coated steel exported from China. Due to the close nature of these products and common interested parties, findings concerning both products were detailed in the one report.

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- a countervailing duty notice applying to galvanised steel exported to Australia from China (with the exception of Angang Steel Co., Ltd (Angang) and ANSC TKS Galvanising Co., Ltd); and
- a countervailing duty notice applying to aluminium zinc coated steel exported to Australia from China (with the exception of Angang).

The anti-dumping measures in respect of galvanised steel and aluminium zinc coated steel were outlined in ADN No. 2013/66.

2.3.2 Review by Anti-Dumping Review Panel of Investigation 193

As outlined in ADN No. 2014/12, following a review by the Anti-Dumping Review Panel, the countervailing duty notice was varied so as to reduce the applicable countervailable subsidies by the amounts referable to programs 1 to 3 described in REP 193.

The decision to vary the countervailing duty notice required an amendment to the IDD payable on imports of galvanised steel. This is because the original dumping margins were reduced by the amount of subsidy attributable to subsidy programs 1 to 3 in determining the IDD payable. The varied notices had retrospective effect from 5 August 2013.

2.3.3 Anti-Circumvention Inquiry 290, 298

On 1 April 2015, BlueScope lodged an application requesting an inquiry into the circumvention of measures through slight modification for goods exported from Korea and Taiwan. Subsequent to this, on 1 May 2015 BlueScope lodged an application requesting an inquiry into goods exported from China on the same grounds. *Anti-Dumping Commission Final Report No. 290, 298* recommended that the goods description be altered. The recommendation was accepted by the then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science, and notice of the decision was published on the Commission's website on 18 March 2016.⁶

2.4 Current Measures

Exports of galvanised steel from China to Australia by Shandong are currently subject to the rates applicable to 'all other exporters'. This comprises IDD calculated by reference to the combination duty method (applied as a fixed percentage of the actual export price or the ascertained export price of the goods (whichever is the greater), with a variable component if the actual export price is below the ascertained export price for the exporter), and ICD calculated as a proportion of the export price. The effective rate of duty is 69.8 per cent, plus any amount of duty arising from the variable component.

2.5 Notification and participation

On 17 April 2017, Shandong lodged an application for an accelerated review of the notices that apply to galvanised steel exported to Australia from China in so far as the notices affect the applicant.

⁶ ADN No. 2016/23 refers.

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

- the circumstances in which an accelerated review can be sought under subsection 269ZE(1) were 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 and commenced the accelerated review. *Anti-Dumping Commission Consideration Report No. 408 (CON 408)* provides further details in relation to the Commission's consideration of the application. CON 408 should be read in conjunction with this report and is available on the Commission website at www.adcommission.gov.au.

The commencement of the accelerated review was publicly notified in ADN No. 2017/64, which was published on 16 May 2017. The review period is 1 April 2016 to 31 March 2017 (herein referred to as the accelerated review period).

2.6 Response to the exporter questionnaire

Following receipt of the application, the Commission sent an exporter questionnaire to Shandong for completion, with a due date of 29 May 2017.

The Commission received a request from the applicant on 19 May 2017 for an extension of time to the due date. The revised due date approved was 12 June 2017.

A response to the exporter questionnaire (REQ) was received and a non-confidential version of the REQ placed on the public record.⁷ Shandong's REQ contained information and data in relation to:

- company structure and organisational charts;
- turnover, audited financial statements and income tax records;
- production flow charts;
- domestic sales;
- list of raw material purchases;
- electricity usage;
- domestic production and selling costs; and
- production processes and production volumes.

The Commission reviewed the REQ and determined that it was deficient. The Commission subsequently notified Shandong of the deficiencies of the REQ on 16 June 2017, and requested that the deficiencies be addressed in a further response by no later than 23 June 2017.

⁷ Document No. 5 on the electronic public record.

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Shandong provided the additional requested detailed information within the required timeframe. The Commission considered that the deficiencies were substantially rectified. The Commission has tested the accuracy, relevance and completeness of the data provided by Shandong to a satisfactory level for the purpose of this accelerated review and on which its findings have been based (**Confidential Attachment 2** refers).

No further submissions have been received in the context of this accelerated review.

2.7 Public record

There is no legislative requirement under Division 6 for the Commissioner to maintain a public record for accelerated reviews. However, in the interests of ensuring the 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 at www.adcommission.gov.au.

3 EXPORT PRICE

3.1 Findings

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

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

- the price paid or payable by the importer;⁸
- the price in Australia less prescribed deductions;⁹ or
- the price having regard to all the circumstances of the exportation.¹⁰

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 normal value for the purposes of this accelerated review as Shandong did not export galvanised steel to Australia during the accelerated review period.

⁸ Subsection 269TAB(1)(a).

⁹ Subsection 269TAB(1)(b).

¹⁰ Subsection 269TAB(1)(c).

4 NORMAL VALUE

4.1 Findings

Due to a particular market situation in the Chinese domestic galvanised steel 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 terms of the export price of Shandong's future exports 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 not applicable, being zero per cent. A variable component of IDD will be applicable where the actual export price is below the ascertained normal value.

4.2 Particular market situation

The Commission established in REP 190 that a situation exists in the domestic Chinese galvanised steel market that rendered domestic selling prices of galvanised steel as being unsuitable for the purposes of determining normal values for galvanised steel under subsection 269TAC(1). The Commission, in *Anti-Dumping Commission Report Nos. 365, 366, 367, 368, 371, 372, 374, 375 and 376* (REP 365 et al), citing the Commission's 2016 report, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission*, came to the same conclusion. Relevantly, in REP 365 et al, the Commission stated that:

analysis of subsidies and tax arrangements for the Chinese steel and aluminium industries, and the operation of state-owned enterprises, indicates that many... market interventions have been economically inefficient and have resulted in distortions to market outcomes.¹¹

The Commission concluded that its previous findings (as outlined in Appendix 1 of REP 190 in relation to a market situation for galvanised steel and aluminium zinc coated steel) remained relevant, and that the normal value for the Chinese exporters subject to the reviews set out in REP 365 et al cannot be established under subsection 269TAC(1).

Given the shortened timeframe of this accelerated review, the Commission is unable to undertake a wholesale review of these findings. Further, there have been no submissions by interested parties to this accelerated review, nor any new information or evidence in the application by Shandong, which would provide a reasonable basis for making an alternative finding. Accordingly, in this accelerated review for Shandong, the normal value of galvanised steel 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 is to be calculated as:

¹¹ Available on the Commission [website](#); page 57 refers.

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- 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.

4.3.1 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.

While Shandong did not export the goods to Australia during the accelerated review period, there were exports to other countries. The Commission requested its cost to make (CTM) data for exported models and Shandong noted that its CTM is the same for export and domestic sales. As a result, the Commission considers it reasonable to use Shandong'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 Shandong's records if the records are in accordance with generally accepted accounting principles (GAAP) in China and reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is satisfied that Shandong's records are in accordance with GAAP in China.

The Commission performed a comparative analysis of Shandong's actual purchases of the key raw material input, being hot rolled coil (HRC) steel, with that of HRC bought competitively from the international market.¹² In the Commission's experience HRC accounts for in excess of 85 per cent of the CTM of galvanised steel, and a similar approach was taken in REP 190 and REP 365 et al. Noting the significant distortions in the steel market in China outlined above in the section concerning particular market situation, the Commission considers that Shandong's recorded costs of HRC therefore do not reflect competitive market costs.

The Commission has therefore adjusted Shandong's recorded cost of HRC to reflect a weighted average of verified domestic HRC prices obtained by cooperating exporters of HRC from Korea and Taiwan in the accelerated review period. This data covers three of the four quarters of that period. For the final quarter, the Commission adjusted the third quarter value by reference to the percentage change in price observed on the East Asia SBB Steel Prices index between the third and fourth quarters.

The weighted average benchmark prices used for the purpose of this accelerated review are at **Confidential Appendix 1**.

¹² Based on the East Asia SBB Steel Prices index.

4.3.2 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.

Shandong provided information on SG&A costs associated with its domestic sales of galvanised steel. Consistent with the requirements of subsection 44(2) of the Regulation, the Commission is satisfied that Shandong's records are in accordance with the GAAP in China, and the records reasonably reflect the SG&A costs associated with the sale of like goods. As such, the Commission has used Shandong's SG&A information to construct Shandong's normal value.

4.3.3 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 galvanised steel based on like goods sold domestically. The calculation of this profit margin was based on domestic sales of like goods made in the OCOT, the selling prices of which were compared to the company's domestic cost to make and sell (CTMS) for those goods as reported in the company's REQ (prior to the adjustments made to the cost of HRC discussed above). Profit applicable in the OCOT was applied to the CTMS (refer to **Confidential Appendices 2 and 3**);

4.3.4 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:

- inland freight and port charges— an upwards adjustment was made to account for export related inland transport cost to the port of export and port charges based on comparable data for China obtained in other reviews;¹³ and
- value added tax (VAT) adjustment – an upwards adjustment was made to account for the difference in the amount of residual VAT that would apply to export sales of galvanised steel. The residual amount has been calculated at the rate of 4 per cent, which is the full VAT rate of 17 per cent less the 13 per cent VAT rebate that applies to export sales of galvanised steel.

Normal value calculations are at **Confidential Appendix 4**.

¹³ REP 365 et al refers.

5 COUNTERAVAILABLE SUBSIDIES

5.1 Findings

The Commissioner considers that Shandong did not receive any countervailable subsidies, within the meaning of section 269TAAC, during 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*
 - (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.*

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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 the countervailable subsidy.

5.3 Commission's assessment

The Commission requested that Shandong provide data and information relating to all subsidies it received during the accelerated review period as part of its REQ.

After assessing all relevant information provided by Shandong the Commission found that no subsidies had been received in respect of galvanised steel manufactured by Shandong. As such, the subsidy margin applicable to Shandong in the accelerated review period is zero per cent.

6 NON-INJURIOUS PRICE AND FORM OF MEASURES

6.1 Findings

The Commissioner considers that the approach to determining the NIP in REP 190 (and again in REP 365 et al) remains valid for the purpose of this accelerated review, and therefore it is recommended that the NIP in relation to Shandong be set as being equal to its ascertained normal value.

6.2 Commission's assessment

The approach taken by the then Australian Customs and Border Protection (ACBPS) in REP 190 was that, in a market unaffected by dumping, it is reasonable to expect that the Australian industry (comprising solely of BlueScope) would be able to achieve, as a minimum, selling prices that reflected un-dumped import parity pricing. It was on this basis that the then ACBPS considered that the FOB NIP for each exporter be a price equal to their respective normal value.

As per the Commission's usual policy and practice, the Commission recommends that the same approach as was taken in REP 190 be adopted (that is, that the NIP be set as being equal to Shandong's normal value).

6.3 Form of measures

Under subsection 8(5) of the Dumping Duty Act, the Parliamentary Secretary must specify a method for calculating the IDD payable. The forms of measures that are available for working out the IDD payable under subsection 8(5) of the Dumping Duty Act are set out in section 5 of the *Customs Tariff (Anti-Dumping) Regulation 2013* (Dumping Duty Regulation). These are the combination duty method, the floor price duty method, the fixed duty method and the *ad valorem* duty method. When considering what form of measures to recommend to the Parliamentary Secretary, the Commissioner will consider the effectiveness of each method in removing the injurious effects of dumping.

The current method of working out the IDD applying to galvanised steel exported by Shandong is the combination duty method as set out in subsections 5(2) and 5(3) of the Dumping Duty Regulation. As per the Commission's *Guidelines on the Application of Forms of Dumping Duty*, the combination duty method relies on the establishment of an export price.¹⁴ In the present circumstances, where there are no exports, the Commission considers that the floor price duty method¹⁵ represents a better approach as it is based on actual domestic sales of the goods (rather than an arbitrary ascertained export price at the same value). The Commission observes that there is no practical difference between the two methods as they would apply to Shandong's future exports.

¹⁴ Available on the Commission [website](#).

¹⁵ As per subsection 5(4) of the Dumping Duty Regulation, the dumping duty payable comprises a variable component, payable if the actual export price is below the ascertained normal value which is a specified (confidential) amount per tonne.

7 EFFECT OF THE ACCELERATED REVIEW

If the Parliamentary Secretary accepts the recommendations in this report, in respect of galvanised steel exported by Shandong to Australia from China:

- the floor price duty method will be applied, where IDD will be payable only when the actual export price is below the ascertained normal value; and
- the ICD will be payable as a proportion of the price of the exported goods, calculated by reference to the countervailing rate of zero per cent.

If the Parliamentary Secretary accepts the recommendations in this report, these changes will take effect retrospectively from 17 April 2017 (being the date the application was lodged). The Commission notes that if the recommendations in this report are accepted by the Parliamentary Secretary, Shandong will not be eligible to seek another accelerated review.

A summary of the ascertained variable factors is provided at **Confidential Appendix 5**.

8 RECOMMENDATIONS

The Commissioner has found that, in relation to galvanised steel exported to Australia from China by Shandong:

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

The Commissioner recommends that the Parliamentary Secretary considers this report and, if in agreement, sign the attached notice at **Attachment 1** and sign the attached schedules (**Confidential Attachment 3**) to declare:

- under subsection 269ZG(3)(b) of the Act, that, with effect from 17 April 2017, the Act and the Dumping Duty Act have effect as if the notices had applied to Shandong but specified different variable factors had been fixed in respect of Shandong, relevant to the determination of duty.

The Commissioner recommends that the Parliamentary Secretary be satisfied that:

- in accordance with subsection 269TAB(3), sufficient information is not available to enable export prices for galvanised steel exported to Australia from China by Shandong the subject of this accelerated review to be ascertained under the preceding subsections of section 269TAB.
- in accordance with subsection 269TAC(2)(a)(ii), the normal value of galvanised steel exported to Australia from China by Shandong 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 269TACD(1), countervailable subsidies have not been received in respect of galvanised steel by Shandong.

The Commissioner recommends that the Parliamentary Secretary determine:

- in accordance with subsection 269TAB(3), the export price for galvanised steel exported to Australia from China by Shandong is the same amount as set out in **Confidential Appendix 4**, which has been determined having regard to all relevant information;
- in accordance with subsection 269TAC(2)(c), the normal value for galvanised steel exported to Australia from China is the sum of Shandong'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 associated with such a sale and the profit on that sale as set out in **Confidential Appendix 3**, as adjusted in accordance with subsection 269TAC(9) and set out in section 4.3.4 of this report, to ensure that the normal value so ascertained is properly comparable with the export price; and

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- 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 Dumping Duty Regulation.

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 the goods; and
- in accordance with subsection 10(3E) of the Dumping Duty Act, that the rate of countervailing duty applying to Shandong exports of galvanised steel shall be zero per cent.

9 APPENDICES AND ATTACHMENTS

Attachment 1	Public Notice
Confidential Attachment 2	Work Program
Confidential Attachment 3	Confidential schedule and tables
Confidential Appendix 1	Weighted Average Benchmark of HRC
Confidential Appendix 2	Revised CTMS
Confidential Appendix 3	OCOT
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Summary of variable factors