



REVIEWS OF MEASURES 411 AND 413

**REVIEW OF MEASURES ON
STEEL REINFORCING BAR
AND
STEEL ROD IN COIL
EXPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA**

VISIT REPORT - EXPORTER

Jiangsu Shagang Group Co., Ltd.

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

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1 BACKGROUND

On 19 May 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice in Anti-Dumping Notice (ADN) No. 2017/68 of his decision to initiate a review of anti-dumping measures with respect to steel reinforcing bar (rebar) exported to Australia from the People's Republic of China (China) by Jiangsu Shagang Group Co., Ltd. (Shagang Group). The background relating to the initiation of this review (Review 411) is contained in Consideration Report No. 411.¹

On 24 May 2017, the Commissioner gave public notice in ADN No. 2017/76 of his decision to initiate a review of anti-dumping measures with respect to steel rod in coil (RIC) exported to Australia from China by Shagang Group. The background relating to the initiation of this review (Review 413) is contained in Consideration Report No. 413.²

Following initiation of Reviews 411 and 413, the Anti-Dumping Commission (the Commission) sought Shagang Group's cooperation through the completion of exporter questionnaires with respect to rebar and RIC.

This report outlines the verification team's findings in relation to Reviews 411 (rebar) and 413 (RIC). The review period for both reviews is 1 April 2016 to 31 March 2017.

¹ CON 411 - Doc 002 [Public Record](#)

² CON 413 – Doc 002 [Public Record](#)

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

In its response to the exporter questionnaires (REQs), Shagang Group stated that it had not exported rebar or RIC to Australia from 1 April 2016 to 31 March 2017 (the review period). Having regard to the Australian Border Force (ABF) import data, and verified domestic and third country sales data from Shagang Group, the verification team is satisfied that Shagang Group did not export rebar or RIC to Australia during the review period.

2.2 Like goods sold on the domestic market

During the review period, Shagang Group sold rebar and RIC to domestic customers in China with a range of characteristics, including standards, strengths, diameters and alloy compositions.

The verification team considers that rebar and RIC manufactured for domestic consumption are identical to, or have characteristics closely resembling, the respective definitions for the goods under consideration:

Goods description for rebar

Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

Goods excluded are plain round bar, stainless steel and reinforcing mesh.

Goods description for RIC

Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14mm.

The goods under consideration include all steel rods meeting the above description regardless of the particular grade or alloy content.

Goods excluded from consideration include hot-rolled deformed steel reinforcing bar in coil form, commonly identified as rebar or debar, and stainless steel in coils.

2.3 Model matching

As Shagang Group did not export any rebar or RIC during the investigation period the verification team has verified data in relation to all rebar and RIC sold on the domestic market during this period.

2.4 Like goods – preliminary assessment

The verification team considers that rebar and RIC produced by Shagang Group for domestic sale are identical, or have characteristics closely resembling, the goods under consideration and are therefore like goods in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).³

³ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 EXPORT PRICE

3.1 The goods exported to Australia

As discussed under chapter 2.1, Shagang Group stated that it had not exported rebar or RIC to Australia during the review period. Having regard to the ABF import data and verified domestic and third country sales data from Shagang Group, the verification team is satisfied that Shagang Group did not export rebar or RIC to Australia during the review period.

3.2 Export price – preliminary assessment

The verification team views that the application of subsection 269TAB(1) would require Shagang Group to have exported rebar or RIC to Australia. As such, sufficient information is not available to determine the export of rebar or RIC under subsection 269TAB(1). 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;⁴
- the price in Australia less prescribed deductions;⁵ or
- the price having regard to all the circumstances of the exportation.⁶

As such, the verification team has determined export prices for rebar and RIC in accordance with subsection 269TAB(3) having regard to all relevant information. Consistent with the Commission's policy practice, the verification team considers it appropriate to determine the ascertained export prices for rebar and RIC to be the same amounts as those determined to be their ascertained normal values for the purpose of these reviews.

⁴ Subsection 269TAB(1)(a).

⁵ Subsection 269TAB(1)(b).

⁶ Subsection 269TAB(1)(c).

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Shagang Group's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues during this process.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Shagang Group's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30. The verification did not find any issues during this process.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3 Selling, general and administrative expenses

In the exporter questionnaire response Shagang Group did not calculate a selling, general and administrative (SG&A) cost as part of the CTMS of the goods. After a discussion with Shagang Group, SG&A costs as a weighted average over the investigation period were then calculated by Shagang Group and added to the CTMS spreadsheets by the verification team.

4.4 Cost to make and sell – summary

Having verified Shagang Group's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

Shagang Group's revised CTMS spreadsheets are at **Confidential Appendix 1 – Rebar** and **Confidential Appendix 1 – RIC**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Shagang Group's domestic sales listings for rebar and RIC by reconciling them to audited financial statements in accordance with ADN No. 2016/30. Jiangsu Sha-Steel Commodity Trading Co., Ltd. (Sha-Steel) manages all domestic sales for the group.

The verification team was provided with a reconciliation summary of total rebar and RIC sales for the review period (RP) and reconciled all balances to general sub-ledger reports and subsequently to a total sales balance reported in Sha-Steel's audited financial report.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Sha-Steel's domestic sales listings for rebar and RIC by reconciling them to source documents in accordance with ADN No. 2016/30.

The only issue the verification team identified were two sales transactions (one for both rebar and RIC) that was included in a batch of invoices initially allocated an invoice number but subsequently allocated another invoice number. Shagang group confirmed that the subsequent invoice number is not entered into the accounting system therefore preventing any overstatement of sales and revenue. The verification team checked the system for any duplication of sales transactions (by searching the invoice number) and was satisfied that there was no overstatement of sales.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.3 Arms' length

In testing the arms' length of transactions to related parties, the verification team conducted a comparative analysis of related and unrelated sales by volume and price for the review period.

For both rebar and RIC the verification team identified low volume of related sales compared to unrelated sales (approximately 11% and 17% respectively) and both related and unrelated sales volumes followed similar trends for each product.

The verification team also compared the weighted average net price for both products for related and unrelated customers for the review period and identified immaterial variances between related and unrelated customers (2%). As a result of these findings the verification team was satisfied that transactions to related entities were at arm's length.

In respect of domestic sales of rebar and RIC made by Sha-Steel to its related customers during the review period, the verification team found no evidence that:

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- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁷

The verification team therefore considers that domestic sales of rebar and RIC made by Sha-Steel to related parties during the review period were arms' length transactions.

5.4 Ordinary course of trade

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

The verification team compared the net sales value for each domestic sale of rebar and RIC to their corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the net sales value for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.5 Suitability of domestic sales

As a result of market situation findings from the original investigations relating to rebar⁸ and RIC⁹, normal values for rebar and RIC were constructed in accordance with subsection 269TAC(2)(c) using Shagang Group's costs to make the goods with an adjustment to price of steel billet, plus SG&A applicable to the goods sold domestically, and an amount for profit.

For this review the profitability of domestic sales of like goods has been calculated by comparing the net sales price with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT.

5.6 Domestic sales – summary

The verification team is satisfied that the domestic sales listings for rebar and RIC are complete, relevant and accurate, and can be used for assessing profitability of sales in the

⁷ Section 269TAA of the Act refers.

⁸ Investigation 300.

⁹ Investigation 301.

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OCOT for the purposes of constructing normal values for rebar and RIC in accordance with subsection 269TAC(2)(c).

The domestic sales listings, OCOT tests and profitability calculations are at **Confidential Appendix 1 – Rebar** and **Confidential Appendix 2 – RIC**.

6 ADJUSTMENTS

To ensure normal values for rebar and RIC are at the FOB level, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Export inland freight, handling and port charges

For rebar and RIC, the verification team considers that an upward adjustment for inland freight to the port, handling and port charges is necessary to ascertain a price at the FOB level.

Shagang Group provided the verification team with the expenses relating inland freight to port, handling, and port charges for all its exports. A weighted average unit inland freight cost was then calculated. The verification team considers that this cost can be used as the basis of the export inland freight, handling and port charges.

6.2 Non-refundable VAT

In order to produce normal values at the FOB level, the verification team considers that an upward adjustment is required for non-refundable VAT.

For rebar, the verification team considers an upward adjustment is appropriate for the portion of non-refundable VAT, on the assumption that the goods, instead of being sold domestically, were to have been exported, based on whether the product was coil or straight.

For RIC, the verification team considers an upward adjustment is appropriate for the portion of non-refundable VAT, on the assumption that the goods, instead of being sold domestically, were to have been exported, based on the chemical composition of the product.

6.3 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure that normal values for rebar and RIC are at the FOB level:

Adjustment Type	Deduction/addition
Export inland freight, handling and port charges	Add the cost of inland freight to the port, handling and port charges
Non-refundable VAT	Add the portion of non-refundable VAT, on the assumption that the goods, instead of being sold domestically, were to have been exported.

7 NORMAL VALUES

The original investigations relating to rebar¹⁰ and RIC¹¹ completed in April 2016 found that the situation in the market of the country of export was such that sales in that market were not suitable for use in determining a price under subsection 269TAC(1).

Given that the Commission is considering particular market situation and the application of an appropriate steel benchmark in relation to these reviews, the verification team has not calculated a normal value for the purpose of this verification report.

The verification team has calculated, in relation to rebar and RIC, SG&A amounts on the assumption that the goods, instead of being exported, were sold domestically, and the profit amounts on those sales. As discussed in chapter 5.6, the rate of profit has been determined using Shagang Group's domestic sales of like goods made in the OCOT.

The verification team has also calculated adjustments that it recommends be applied to the normal values of rebar and RIC to ensure that these values are at the free on board (FOB) level (chapter 6 refers).

¹⁰ Investigation 300.

¹¹ Investigation 301.

8 Dumping margin

As the verification team has ascertained that the export price of the goods is equivalent to the normal value of the goods, there is no requirement to calculate a dumping margin for the purpose of reviewing variable factors for a review.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1 – Rebar	Revised domestic sales, OCOT tests and profitability
Confidential Appendix 2 – RIC	Revised domestic sales, OCOT tests and profitability
Confidential Attachment 1	Verification work program, with attachments