



REVIEWS OF MEASURES 412 AND 414

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

VISIT REPORT - EXPORTER

Hunan Valin Xiangtan Iron & Steel 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 Hunan Valin Xiangtan Iron & Steel Co., Ltd. (Valin). The background relating to the initiation of this review (Review 412) is contained in Consideration Report No. 412.¹

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 Valin. The background relating to the initiation of this review (Review 414) is contained in Consideration Report No. 414.²

Following initiation of the reviews of measures (Reviews 412 and 414), the Anti-Dumping Commission (the Commission) sought Valin'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 412 (rebar) and 414 (RIC). The review period for both reviews is 1 April 2016 to 31 March 2017.

¹ Document number 2 on the [public record](#).

² Document number 2 on the [public record](#).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

In its response to the exporter questionnaires (REQs), Valin 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 Valin, the verification team is satisfied that Valin 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, Valin 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 Valin 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 Valin 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 section 2.1, Valin 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 Valin, the verification team is satisfied that Valin 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 Valin 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 Valin'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.

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 Valin's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The visit team found an issue in relation to Valin's raw material purchases and selling, general and administrative (SG&A) calculation. No other issues were identified.

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

4.2.1 Raw material purchases

As part of the REQ Valin provided a listing of its raw material purchases for the review period. At the visit the verification team identified that this listing was not complete and data in relation to certain iron ore purchases was missing. A new purchase listing was provided and the visit team was satisfied that this was complete.

4.2.2 Related suppliers

The visit team identified that a small volume of raw materials were purchased from related parties, however, the volume was so small that no further investigation was performed.

4.2.3 Selling, general and administrative expenses

In the REQ Valin calculated SG&A costs as a percentage of revenue on a monthly basis. After discussion with Valin the verification team recalculated SG&A costs as a weighted average over the investigation period. The verification team also recalculated SG&A as a percentage of costs, rather than revenue.

Valin's revised SG&A spreadsheets are at **Confidential Appendix 1 – Rebar** and **Confidential Appendix 1 – RIC**.

4.3 Cost to make and sell – summary

Having verified Valin'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.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Valin's revised domestic sales listings for rebar and RIC by reconciling them to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified an issue related to sales returns. No other issues were identified during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.1.1 Sales returns

The verification team identified minor discrepancies between the revised domestic sales listing and the sales accounts in relation to the quantities of rebar and RIC due to the way the accounting system treated sales returns. The verification team verified source documents for a sample of sales returns with respect to rebar and RIC, and no issues were identified. The verification team considers that the discrepancies in quantity with respect to rebar and RIC are negligible.

5.2 Verification of domestic sales to source documents

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

In relation to rebar, the verification team identified one issue regarding the classification of related parties. This issue is discussed in section 5.2.1 below. No other issues with respect to rebar were identified.

In relation to RIC, the verification team identified issues regarding the products contained in the RIC domestic sales listing, the classification of related parties and payment terms. These issues are discussed in sections 5.2.1, 5.2.2 and 5.2.3 below. No other issues with respect to RIC were identified.

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

5.2.1 Related parties list – rebar & RIC

In its REQs, Valin provided a related parties list and classified its domestic customers of rebar and RIC as related or unrelated in the domestic sales listing. During the visit, Valin stated that one of its domestic customers of rebar and RIC, which had previously been classified as unrelated, was related to Valin's parent company. The verification team considers that this customer shares a parent company with Valin and due to shareholding considerations, is deemed a related party. Valin provided a revised related parties list that outlined the nature of the relationship with the domestic customer. The verification team compared the revised related parties list to the audited annual report and organisational chart, and was satisfied that all related customers of rebar and RIC had been identified.

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The verification team tested whether sales made to the additional related customer, were arms' length (section 5.4 refers).

5.2.2 Irrelevant products – RIC

Prior to the visit, the verification team observed that the original domestic sales listing for RIC contained a number of transactions that did not relate to RIC. Valin removed the transactions and provided a revised domestic sales listing.

5.2.3 Payment terms – RIC

The verification team identified that in relation to one customer of RIC, there was an inconsistency between the payment terms in the domestic sales listing and payment period in the accounts receivable ledger during the review period. Valin explained that it only extends credit for this particular customer. The domestic sales listing was revised to reflect the credit extended by Valin to this customer based on the accounts receivable ledger.

The verification team tested the accounts receivable ledgers with respect to a sample of other major customers and found no other inconsistencies with respect to payment terms in the domestic sales listing.

5.3 Related customers

In its REQs, Valin provided a related parties list and classified whether domestic customers were related or not in the domestic sales listing. As discussed under section 5.2.1 Valin provided revised related parties lists with respect to rebar and RIC, and the verification team is satisfied that all related customers have been identified.

5.4 Arms' length

In testing the arms' length of transactions to related parties, the verification team had regard to the revised related parties lists (section 5.2.1).

For rebar and RIC, the verification team compared the net unit sales price made to related and unrelated customers with respect to the comparable product models, time periods and sales quantities. The verification team also compared the profitability achieved on sales made to related and unrelated customers.

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

- 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

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- 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 Valin to related and unrelated parties during the review period were arms' length transactions.

5.5 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.

5.6 Suitability of domestic sales and profit

Due to 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 Valin'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.

5.7 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 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 2 – Rebar** and **Confidential Appendix 2 – RIC**.

⁷ Section 269TAA of the Act refers.

⁸ Investigation 300.

⁹ Investigation 301.

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 produce a price at the FOB level.

As Valin had no export sales to Australia, the company provided the verification team with its total export selling expenses for all export sales made by the company directly from its general ledger and account payable. The company advised that as its export sales were made on FOB terms, these export expenses related to inland freight, handling and port costs, but did not relate to items such as ocean freight and insurance. The verification team divided the total export selling expenses by the total volume of exports made by Valin, as listed in the turnover spreadsheet and verified, to determine a per unit export cost. The team compared the per unit cost to the unit export costs calculated for rebar and RIC in Investigations 300 and 301, and found it to be reasonable.

The verification team considers that the calculated per unit cost can be used as the export inland freight, handling and port charges adjustment.

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.

During the visit, Valin advised that it was not aware of any recent changes to the VAT liability for rebar or RIC sold domestically or for export.

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:

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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 section 5.6, the rate of profit has been determined using Valin'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).

The preliminary domestic SG&A calculations are at **Confidential Appendix 1 – Rebar** and **Confidential Appendix 1 – RIC**.

The preliminary adjustments calculations are at **Confidential Appendix 3 – Rebar** and **Confidential Appendix 3 – RIC**.

7.1 Comments by Valin

At the verification visit Valin argued that its billet production costs should not be substituted because it did not purchase billet but rather was an integrated producer. The visit team verified that Valin produced rebar and RIC via an integrated process. The verification team invited Hunan Valin to make a submission regarding this issue.

¹⁰ Investigation 300.

¹¹ Investigation 301.

8 Dumping margin

As the verification team has ascertained that the export prices of the goods are equivalent to the normal values of the goods, there is no requirement to calculate dumping margins for the purpose of reviewing variable factors for these reviews.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1 – Rebar	Domestic SG&A
Confidential Appendix 2 – Rebar	Revised domestic sales, OCOT tests and profitability
Confidential Appendix 3 – Rebar	Adjustments
Confidential Appendix 1 – RIC	Domestic SG&A
Confidential Appendix 2 – RIC	Revised domestic sales, OCOT tests and profitability
Confidential Appendix 3 – RIC	Adjustments
Confidential Attachment 1	Verification work program, with attachments