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Director Operations 1  
Anti-Dumping Commission  
Level 35, 55 Collins Street  
Melbourne VIC 3000

**Review of measures – Aluminium zinc coated steel – Baoshan Iron & Steel Co., Ltd**

Dear Director,

Baoshan Iron & Steel Co., Ltd (Baosteel) wishes to respond to the Commission's proposed method for calculating profit, for the purposes of constructing normal value. Baosteel contends that the preliminary approach adopted by the Commission is fundamentally flawed and inconsistent with the Commission's stated policy and long-held practice. The Commission appears to have preliminarily determined that irrespective of whether domestic products are identical or like to each other, each individual sales order is a distinct 'model' or like product for the purposes of assessing whether sales are made in the ordinary course of trade.

To highlight by example, product code "██████" which represents aluzinc produced to specification "██████" and coating mass "██████" was ordered on █████ occasions across the numerous months of the review period. The Commission has treated the sale of this product from each individual order as a discrete product, notwithstanding that the goods are physically identical to each other. Therefore, it has undertaken █████ discrete ordinary course of trade tests for identical goods. The inappropriateness of this approach is highlighted as the Commission's has identified █████ models or like products, and a corresponding number of individual ordinary course of trade tests.

The Commission's response to this abnormal approach is that it has undertaken the ordinary course of trade test on the basis of the costing detail submitted by Baosteel in its exporter questionnaire response. Baosteel considers this response to be incongruous with the Commission's normal and recent practices.

Firstly, in the most recent review of aluzinc (case no. █████), production costs were presented by █████ as this is how the exporter normally records them. However, the Commission consolidated these █████ costs to derive an average unit quarterly cost for assessing whether domestic products were profitable and sold in the ordinary course of trade. There is little difference in Baosteel's circumstances with the daily production costs being reported for each sales order. These costs are able to be consolidated for each individual sales order of identical or like product to derive an average unit monthly cost.

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Second, it is the Commission's policy and practice to first identify the like model categories and undertake the ordinary course of trade test on the basis of those respective models. This is confirmed by the Commission's view that *'the determination of dumping as the Commission's practice is to apply the ordinary course of trade tests and sufficiency of sales tests to each model category'*. This is supported by the Commission's standard exporter visit reports which state in the ordinary course of trade section that *'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 revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.'*

However, in the case of Baosteel, the Commission appears to be drawing a distinction between individual sales orders as opposed to like products. It is noted that the Commission has not made a determination as to whether identical products subject to separate sales orders are like products and therefore fall within the same model category. This is considered particularly relevant given the Anti-Dumping Review Panel's (ADRP) recent finding<sup>1</sup> about the scope of like goods in the case of aluzinc and galvanised zinc coated steel products:

*In particular, I am not persuaded that the differences in coating masses between the Zongcheng's products exported to Australia and those products sold domestically means that Zongcheng's domestic products do not closely resemble the goods. I find that the domestic products still have characteristics closely resembling those of the goods under consideration.*

*Accordingly, I find that the correct or preferable decision was to regard all of Zongcheng's 17 products, which it sells into its domestic market, as being "like goods" to those exported to Australia.*

Therefore, on the basis that all aluzinc products are like goods, regardless of their coating mass, when calculating whether substantial quantities existed and whether sales are recoverable, the Commission is required to rely on the total sales volume and weighted average cost of like goods over the whole review period. This correct approach results in all sales being made in the ordinary course of trade and the average profit being reduced.

Baosteel therefore urges the Commission to carefully consider its approach to performing the ordinary course of trade test and consolidate all identical and like products for the purposes of establishing the profit on domestic sales of like goods.

Yours sincerely,

John Bracic

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<sup>1</sup> ADRP REPORT No. 58