



REVIEW 372

**REVIEW OF ANTI-DUMPING MEASURES
APPLYING TO CERTAIN
ALUMINIUM ZINC COATED STEEL
EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA**

VERIFICATION REPORT – EXPORTER

ANGANG STEEL COMPANY LIMITED (ANSTEEL)

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

December 2016

CONTENTS

CONTENTS..... 2

1 BACKGROUND 3

2 THE GOODS AND LIKE GOODS 4

2.1 THE GOODS EXPORTED TO AUSTRALIA..... 4

2.2 LIKE GOODS SOLD ON THE DOMESTIC MARKET 4

2.3 LIKE GOODS – PRELIMINARY ASSESSMENT 4

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA 5

3.1 VERIFICATION OF EXPORT SALES TO AUSTRALIA 5

3.2 EXPORT PRICE – PRELIMINARY ASSESSMENT..... 5

4 COST TO MAKE AND SELL 6

4.1 VERIFICATION OF COSTS TO AUDITED FINANCIAL STATEMENTS 6

4.2 VERIFICATION OF COSTS TO SOURCE DOCUMENTS 6

4.3 RELATED PARTY PURCHASES..... 6

4.4 COST TO MAKE AND SELL – SUMMARY..... 7

5 VERIFICATION OF DOMESTIC SALES..... 8

5.1 VERIFICATION OF DOMESTIC SALES TO AUDITED FINANCIAL STATEMENTS 8

5.2 VERIFICATION OF DOMESTIC SALES TO SOURCE DOCUMENTS 8

5.3 RELATED CUSTOMERS..... 8

5.4 ARMS LENGTH 8

5.5 ORDINARY COURSE OF TRADE..... 9

5.6 SUITABILITY OF SALES AND PROFIT 9

5.7 DOMESTIC SALES – SUMMARY..... 9

6 ADJUSTMENTS..... 10

6.1 EXPORT INLAND TRANSPORT AND HANDLING 10

6.2 PACKAGING..... 10

6.3 EXPORT COMMISSIONS..... 10

6.4 NON-REFUNDABLE VALUE-ADDED TAX..... 10

6.5 ADJUSTMENTS – CONCLUSION 11

7 NORMAL VALUE – PRELIMINARY ASSESSMENT 12

8 DUMPING MARGIN 13

9 APPENDICES AND ATTACHMENTS 14

1 BACKGROUND

On 22 September 2016, the Commissioner of the Anti-Dumping Commission gave notice of his decision to initiate a review of the anti-dumping measures applying to aluminium zinc coated steel exported to Australia from the People's Republic of China (China) by Angang Steel Company Limited (Ansteel).

This review of measures is in response to an application from Ansteel for a review of the anti-dumping measures applying to aluminium zinc coated steel. Ansteel claims that one or more of the variable factors relevant to the taking of the anti-dumping measures have changed.

Anti-Dumping Notice (ADN) No. 2016/87 provides further information on the review and is available on the Anti-Dumping Commission's website at www.adcommission.gov.au. The background relating to the initiation of this review is contained in *Consideration Report No. 372*.

Following initiation of the review, the Commission wrote to Ansteel inviting it to cooperate with the review. Ansteel provided a complete exporter questionnaire response and relevant attachments for the period 1 July 2015 to 30 June 2016 (the review period).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

Ansteel did not export aluminium zinc coated steel to Australia during the review period.

2.2 Like goods sold on the domestic market

Ansteel sold aluminium zinc coated steel on the domestic market during the review period.

The aluminium zinc coated steel was manufactured using alloyed or non-alloyed base steel and was of varying base metal thicknesses, coating masses, grades and standards, widths and finishes.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods that Ansteel may export to Australia, as they:

- are not distinguished from exported goods during production;
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Like goods – preliminary assessment

The verification team considers that aluminium zinc coated steel produced by Ansteel for domestic sale has characteristics closely resembling those of the goods previously exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ A reference to a division, section or subsection in this report is a reference to a provision of the Customs Act 1901, unless otherwise specified.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of export sales to Australia

The verification team found no evidence that Ansteel exported aluminium zinc coated steel to Australia during the review period that would be relevant for the purpose of determining the export price of the goods under subsection 269TAB(1).

3.2 Export price – preliminary assessment

The verification team is satisfied that Ansteel did not export any goods to Australia during the review period. Therefore, there is insufficient information available to enable the export price of the goods to be ascertained under subsections 269TAB(1)(a), (b), or (c).

The verification team considers it appropriate to determine the export price of the goods under subsection 269TAB(3) having regard to all relevant information. The verification team considers that the export price of aluminium zinc coated steel exported to Australian from China by Ansteel be the same amount as that determined to be the normal value.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Ansteel'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 Ansteel's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any material 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 Related party purchases

The verification team identified that several suppliers of materials are related to Ansteel. These related party transactions were disclosed in Ansteel's raw material purchases spreadsheet and in Ansteel's financial statements, where Ansteel listed the raw materials purchased from these related parties and the 'pricing principle' relevant to the purchase prices.² For some raw materials purchased from related parties, the verification team observed that the purchase price in Ansteel's financial statements is relatively lower than the 'possible market price of similar transactions.'

Given that the related party purchases were primarily related to the acquisition of raw materials for the production of steel, the verification team compared the monthly weighted average purchase prices relating to the raw materials purchased from related and unrelated suppliers. The verification team found that for some raw materials, the weighted average purchase prices from related suppliers were relatively lower than the purchase prices from unrelated suppliers.

Therefore, the verification team considers that purchases from related suppliers are not arms length. The verification team notes that the case management team will substitute Ansteel's hot rolled coil steel costs with a competitive market benchmark due to a market situation finding in the original investigation.

² Pages 61 to 70 of Ansteel's 2015 annual report, and pages 31 to 38 of Ansteel's 2016 interim report.

4.4 Cost to make and sell – summary

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

Ansteel's CTMS spreadsheet is at **Confidential Appendix 1**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Ansteel's domestic sales listing 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 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 Ansteel's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

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**.

5.3 Related customers

According to Ansteel's response to the exporter questionnaire, the company sold aluminium zinc coated steel to related customers during the review period.

The verification team did not identify any additional domestic customers that may be related to Ansteel, based on the sales data and Ansteel's audited financial statements.

5.4 Arms length

In respect of domestic sales of aluminium zinc coated steel made by Ansteel to its related customers (distributors only) during the investigation period, the verification team found that, when comparing the monthly weighted average prices for identical models, the weighted average prices to related distributors were significantly lower relative to independent distributors.

Having regard to the actual price differences observed between Ansteel's selling prices to related and independent distributors, the verification team considers that the price was influenced by a commercial or other relationship between Ansteel and its related distributors. The verification team therefore considers that domestic sales made by Ansteel to its related distributors during the review period were not arms length transactions. The verification team excluded these transactions in determining an amount for profit.

In respect of domestic sales of aluminium zinc coated steel made by Ansteel to unrelated customers during the investigation 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

PUBLIC RECORD

- 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.

The verification team therefore considers that domestic sales made by Ansteel to unrelated customers 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.

The verification team compared the revenue (i.e. net sales value) for each domestic sale of aluminium zinc coated steel to the 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 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.

5.6 Suitability of sales and profit

The profitability of domestic sales of like goods has been calculated by comparing the weighted selling price with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the ordinary course of trade.

5.7 Domestic sales – summary

The verification team is satisfied that the revised domestic sales listing is complete, relevant and accurate, and can be used to work out an amount for profit under Regulation 45(2) of the *Customs (International Obligations) Regulation 2015*.

The domestic sales listing is at **Confidential Appendix 2**.

6 ADJUSTMENTS

To ensure the normal value is properly comparable with the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Export inland transport and handling

The verification team considers that an upward adjustment to the normal value for export inland transport and handling expenses is necessary to ensure a fair comparison to the FOB export price.

The verification team added export freight and handling expenses (related to third country export sales) to Ansteel's selling, general and administrative costs when constructing the normal value.

6.2 Packaging

The verification team sited the packaging process during a tour of the production site and noted that there was no difference in Ansteel's packaging process, materials, or cost when comparing goods packaged for export and goods packaged for the domestic market. Packaging costs are included in Ansteel's cost to make data. As such, no adjustment is warranted for packaging.

6.3 Export commissions

As Ansteel exports all goods through Angang International Trade Corporation (Angang International), the verification team considers an upward adjustment to the normal value for the commission paid to Angang International is required to ensure a fair comparison to the export price.

Given that the verification team had determined that Angang International was profitable during the review period, the verification team has applied an upward adjustment of RMB 20 per tonne (the fixed commission amount).

6.4 Non-refundable value-added tax

The verification team considers that an upward adjustment to the normal value for non-refundable (residual liability) value-added tax (VAT) is warranted. The verification team applied an upwards adjustment of 4 per cent on non-alloyed aluminium zinc coated steel (17 per cent VAT less 13 per cent rebate on flat-rolled products of iron or non-alloy steel).

Given that Ansteel was not able to separately identify alloyed and non-alloyed steel in its CTMS data, the verification team used the information in Ansteel's domestic sales listing to identify billet grades and determine if they were classified as alloyed or non-alloyed in this listing.

PUBLIC RECORD

The verification team compared this to the grades in Ansteel's CTMS spreadsheet and noted a majority of the steel grades (by volume) could be identified as either alloyed or non-alloyed steel. For the remainder, no information was provided to demonstrate whether the steel was alloyed or non-alloyed.

Where information was provided to demonstrate that the steel grade is non-alloyed, a VAT adjustment of 4 per cent was applied to the normal value.

6.5 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), and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices (at FOB):

Adjustment Type	Deduction/addition
Export inland transport and handling	Add the cost of export inland freight and handling
Export commission	Add the export commission
Non-refundable value-added tax	Add the relevant non-refundable VAT amount

7 NORMAL VALUE – PRELIMINARY ASSESSMENT

In the original investigation,³ it was established that, in accordance with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese aluminium zinc coated steel market that renders domestic selling prices in that market unsuitable for the purpose of determining the normal value for aluminium zinc coated steel under subsection 269TAC(1).

Therefore, the verification team considers that the normal value should be determined under subsection 269TAC(2)(c), using 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 in the country of export, the administrative, selling and general costs associated with such a sale and the profit on that sale.

For the purpose of constructing the normal value of the goods under subsection 269TAC(2)(c), the verification team considers that an amount for administrative, selling and general costs should be worked out under Regulation 44(2) of the *Customs (International Obligations) Regulation 2015* (the Regulations), using the administrative, selling and general costs associated with the sale of like goods.

Further, the verification team considers that an amount for profit should be worked out under Regulation 45(2), using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure that the normal value is properly comparable with the export price, as outlined in section 6 of this report.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

³ REP 190 and 193 investigated zinc coated galvanised steel and aluminium zinc coated steel exported from the People's Republic of China, the Republic of Korea and Taiwan.

8 DUMPING MARGIN

The verification team has ascertained that the export price of the goods is equivalent to the normal value of the goods, therefore, the dumping margin is zero.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	CTMS spreadsheet
Confidential Appendix 2	Domestic sales
Confidential Appendix 3	Normal value
Confidential Attachment 1	Verification work program, with attachments