



**INVESTIGATION 376**

**REVIEW OF ANTI-DUMPING MEASURES  
RELATING TO  
ZINC COATED (GALVANISED) STEEL  
EXPORTED FROM TAIWAN BY CHUNG HUNG  
STEEL CORPORATION**

**VISIT REPORT - EXPORTER**

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 22 September 2016, the Commissioner of the Anti-Dumping Commission (the Commission) gave public notice of his decision to initiate a review of anti-dumping measures relating to Chung Hung Steel Corporation (Chung Hung) in respect of zinc coated (galvanised) steel exported to Australia from Taiwan.

Anti-Dumping Notice (ADN) No. 2016/101 provides further information on the review and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at [www.adcommission.gov.au](http://www.adcommission.gov.au) EPR 376.

The background relating to the initiation of this review is contained in Consideration Report 376.

Following this initiation, the Commission wrote to the applicant (Chung Hung) inviting it to cooperate with the review regarding galvanised steel. Chung Hung provided a completed exporter questionnaire response (REQ) and relevant attachments for the review period (1 July 2015 to 30 June 2016).

## 2 THE GOODS AND LIKE GOODS

### 2.1 The goods exported to Australia

During the review period, Chung Hung exported galvanised steel to Australia from Taiwan, which was confirmed by a search of the Australian Border Force import database.

A number of the export sales made were subject to an exemption from dumping duties. The Commission considers that the exempt goods were not the goods under consideration.

All export sales made by Chung Hung, which were not exempt, were manufactured from non-alloyed hot rolled coil, at varying base metal thicknesses (BMT) and widths. Export models were produced to an American standard.

### 2.2 Like goods sold on the domestic market

During the review period Chung Hung produced like goods to those exported to Australia and sold models that were alike on its domestic market during the review period.

These products were manufactured from non-alloyed hot rolled and cold rolled coil of various grades. Domestic models were produced to American and Japanese standards.

For the purpose of identifying the goods sold in the domestic market that are most ‘like’ to those exported to Australia, Chung Hung Steel identified what it considered to be the key characteristics, being product category, steel grade category, zinc coating range, and thickness range.

The verification team considers that galvanised steel sold domestically by Chung Hung during the review period has characteristics closely resembling to those of the goods exported to Australia as they:

- do not appear to be distinguished from the 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.

For the purpose of model matching, the verification team considers that it is appropriate to distinguish the different characteristics of galvanised steel.

### 2.3 Model matching

In Chung Hung’s response to the Exporter Questionnaire, it provided product control numbers that allowed for a comparison of the characteristics of the models sold on the export and domestic market. Chung Hung explained that the numbering was based on the nominal specifications relevant to that characteristic. The product control number provides (PCN) information on the following characteristics:

- Coil type, hot rolled or cold rolled;

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- Steel grade category;
- Base Metal Thickness range (mm); and
- Zinc Coating Range (g/m<sup>2</sup>).

The verification team considers that the product control numbers provided by Chung Hung provide appropriate guidance for comparing the different standards and in particular, the difference in specifications that apply for domestic and exported models.

### 2.3.1 Verification team's approach to model matching

The verification team examined the effect on price for each element in the PCN structure proposed by Chung Hung as part of the consideration of the number of characteristics when conducting model matching.

The characteristics that the team considers to be relevant are:

- Coil type, hot rolled or cold rolled;
- Steel grade category;
- Base Metal Thickness range (mm); and
- Zinc Coating Range (g/m<sup>2</sup>).

For the purposes of model matching, the team used the above characteristics to match domestic and exported models.

## 2.4 Like goods – preliminary assessment

The verification team considers that galvanised steel produced and sold by in the domestic market by Chung Hung has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

## 3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

### 3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Chung Hung's 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 this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### 3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Chung Hung's sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there was a minor amendment made to the Australian sales listing relating to packaging. The verification team did not identify any further issues.

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

#### 3.2.1 Packaging costs

At the start of the verification, Chung Hung provided a revised copy of its Australian sales listings, containing amendments to calculated packaging costs. It was explained that these amendments resulted from mistakenly including the domestic packaging cost in place of the export packaging cost. The verification team cited the relevant source documents to confirm to verify the corrected data.

### 3.3 The importer

In relation to galvanised steel, the verification team considers that the customer listed in the Australian sales listing was the beneficial owner of the goods at the time of importation, and therefore was the 'importer' of the goods.

### 3.4 Related party customers

The visit team did not identify any information that might suggest the Australian customer was related to Chung Hung, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

### 3.5 Arms length

In respect of Australian sales of galvanised steel made by Chung Hung to its unrelated customer 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 receive a benefit for, or in respect of, the whole or any part of the price.<sup>2</sup>

The verification team therefore considers that all export sales to Australia made by Chung Hung during the review period were arms length transactions.

### 3.6 Export price – preliminary assessment

The verification team is satisfied that the revised Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>2</sup> Section 269TAA of the Act refers.

## 4 COST TO MAKE AND SELL

### 4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Chung Hung's CTMS spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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 Chung Hung's CTMS spreadsheet 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**.

### 4.3 Related party purchases

Based on the provided exporter questionnaire and documentation supplied for the purpose of verification, the team identified related party suppliers that Chung Hung purchased from during the review period.

The verification team compared the average purchase price of various grades of hot rolled coil purchased by Chung Hung during the review period with the prices that its related party supplier offered to independent parties during the review period. The verification team noted there was some variance in the average unit prices offered to Chung Hung when compared to unrelated parties.

The verification team considered that these variances were material and therefore considered it necessary to uplift Chung Hung's hot rolled coil costs by the same percentage difference to reach an arms length price.

### 4.4 Cost to make and sell – summary

Having verified Chung Hung'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.

Chung Hung's CTMS spreadsheet is at **Confidential Appendix 2**.

## 5 VERIFICATION OF DOMESTIC SALES

### 5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Chung Hung's 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 Chung Hung's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were amendments to the domestic sales listing relating to packaging. The verification team did not identify any further issues.

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

#### 5.2.1 Packaging

At the start of the verification, Chung Hung provided a revised copy of its domestic sales listing, containing amendments to calculated packaging costs. It was explained that these amendments resulted from changes to the original destination of certain domestic sales. The verification team cited the relevant source documents to confirm to verify the corrected data.

### 5.3 Related party customer

It was identified that the company sold a small quantity of goods to a related party, which purchased galvanised steel products as packing materials, during the investigation period.

The verification team found that the volumes represented a small percentage of Chung Hung's total domestic sales and unit prices to the related customer were comparable to unrelated customers.

The verification team did not identify any additional domestic customers that might be related to Chung Hung, based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

### 5.4 Arms length

In respect of domestic sales of galvanised steel made 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

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- 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 receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Chung Hung to its related customer 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 revenue (i.e. net sales value) for each domestic sale of galvanised steel to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% 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 OCOT.

### 5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of domestic sales made in the OCOT in respect of the models exported to Australia during the review period.

### 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 for assessing normal value under subsection 269TAC(1).

The revised domestic sales listing is at **Confidential Appendix 3**.

## **6 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free alongside ship (FAS) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

### **6.1 Rebates**

The verification team considers that a downward adjustment to the normal value for domestic rebates is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the rebate paid for the domestic transactions that attracted a rebate. This downwards adjustment was not applied to transactions that did not attract a rebate.

As there were no rebates on Australian export sales during the review period, the verification team does not consider that a corresponding upward adjustment is required.

### **6.2 Credit cost**

The verification team considers that a downward adjustment to the normal value for domestic credit, in respect of sales for which credit terms offered, is required. The verification team has applied this adjustment on the basis of the actual bank charges incurred by Chung Hung in respect of sales with extended credit terms.

The verification team also considers that an upwards adjustment for export credit is necessary to ensure a fair comparison to the FAS export price. The verification team observed that the costs recorded for export sales were actual costs incurred by Chung Hung from the negotiating bank. We calculated the weighted average cost of bank charges (per tonne) over the review period and applied this as an upward adjustment.

### **6.3 Freight**

The verification team considers that a downward adjustment to the normal value for domestic freight expenses is necessary to ensure a fair comparison to the FAS export price. The verification team has applied this adjustment based on the inland freight costs listed for each domestic transaction. Transactions that were sold ex-works did not have this downward adjustment applied.

The verification team also considers that an upward adjustment for export inland freight expenses is required, to ensure a fair comparison to the FAS export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for these expenses over the review period.

### **6.4 Packaging**

The verification team considers that a downward adjustment to the normal value for domestic packaging expenses is necessary to ensure a fair comparison to the FAS export price. The verification team has applied this adjustment based on the packaging costs listed for each domestic transaction.

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The verification team also considers that an upward adjustment for export packaging expenses is required, to ensure a fair comparison to the FAS export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses over the investigation period.

### **6.5 Service fees and Commissions**

The verification team considers that an upwards adjustment to the normal value for service fees and commissions in respect of export sales, which are not incurred in respect of domestic sales, is required to ensure a fair comparison to the FAS export price. Commissions and service fees are a flat fee based on the quantity of goods sold. The verification team therefore applied this flat fee per tonne as an upward adjustment.

### **6.6 Other export expenses**

The verification team also considers upward adjustments for direct export expenses in the normal value calculation are required to ensure a fair comparison to the FAS export price.

These consist of a handling expense, survey fee, customs brokerage fee, harbour services fees, trade promotion fee and a further export charge.

The verification team has applied these adjustments based on the weighted average cost (per tonne) for these expenses over the review period.

### **6.7 Adjustments – conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic rebates	<b>Deduct the cost of domestic rebates</b>
Domestic credit	<b>Deduct the cost of domestic credit</b>
Domestic freight	<b>Deduct the cost of domestic freight.</b>
Domestic packaging	<b>Deduct the cost of domestic packaging.</b>
Export inland freight	<b>Add the cost of export inland freight.</b>
Export packaging	<b>Add the cost of export packaging.</b>
Export commissions and fees	<b>Add the cost of export commissions and fees</b>
Export expenses - other	<b>Add the cost of other expenses</b>
Export credit	<b>Add the cost of export credit.</b>

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## **7 NORMAL VALUE**

The verification team is satisfied that it found sufficient volumes of domestic sales of galvanised steel that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of galvanised steel are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## **8 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the review period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of galvanised steel exported to Australia by Chung Hung or the investigation period is **negative 4.9%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

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## **9 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Australian export sales
<b>Confidential Appendix 2</b>	Revised CTMS spreadsheet
<b>Confidential Appendix 3</b>	Domestic sales
<b>Confidential Appendix 4</b>	Normal value
<b>Confidential Appendix 5</b>	Dumping margin
<b>Confidential Attachment 1</b>	Verification work program, with attachments