



**ADC 374**

**REVIEW OF ANTI-DUMPING MEASURES APPLYING TO  
ZINC COATED (GALVANISED) STEEL**

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**VISIT REPORT - EXPORTER**

**YIEH PHUI (CHINA) TECHNOMATERIAL CO., LTD.**

**NOVEMBER 2016**

**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**

# PUBLIC RECORD

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## **1 BACKGROUND**

On 22 September 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate a review of the anti-dumping measures applying to zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China) by Yieh Phui (China) Technomaterial Co., Ltd. (YPC).

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 374.

The background relating to the initiation of this review is contained in Consideration Report 374.

Following this initiation, the Commission wrote to the applicant (YPC) inviting it to cooperate with the review regarding galvanised steel. YPC 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 YPC did not export galvanised steel to Australia.

### **2.2 Like goods sold on the domestic market**

During the review period YPC sold galvanised steel to domestic customers in alloy and non-alloy based metal, in varying base metal thicknesses, coating mass, standard/grade, widths, and finishes.

YPC indicated that the goods for domestic sale are produced both to order and from stock.

The verification team considers that only the non-alloyed goods manufactured by YPC for domestic consumption are identical to, or have characteristics closely resembling, the goods that YPC may export to Australia, as they would have:

- similar physical characteristics
- are commercially alike:
- are functionally alike; and
- are produced at the same facility with the same raw material inputs and manufacturing processes.

### **2.3 Model matching**

The verification team is satisfied that due to the absence of galvanised steel manufactured for export to Australia during the review period, there is no ability to carry out model matching.

### **2.4 Like goods – preliminary assessment**

While there is an absence of exports of galvanised steel to Australia by YPC during the period of review, the verification team is satisfied that on the basis of goods exported to Australia previously, non-alloyed prime galvanised steel sold domestically by YPC can be regarded as like goods in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).

### **3 VERIFICATION OF EXPORT SALES TO AUSTRALIA**

#### **3.1 Verification of Australian sales to audited financial statements and source documents**

YPC did not export galvanised steel to Australia during the review period therefore the verification of Australian sales to audited financial statements and source documents was not required.

#### **3.2 Export price – preliminary assessment**

As YPC did not export galvanised steel steel during the review period, sufficient information is not available to determine the export price of the goods using:

- the price paid or payable by the importer;<sup>1</sup>
- the price in Australia less prescribed deductions (deductive export price);<sup>2</sup> or
- the price having regard to all the circumstances of the exportation.<sup>3</sup>

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1 s.269TAB(1)(a)

2 s.269TAB(1)(b)

3 s.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 YPC's CTMS spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

During the visit, a revised CTMS spreadsheet was provided and an amendment was made in relation to models where there were no production in a particular quarter. The verification team did not find any other issues with the verification of costs and was able to reconcile the CTMS data with these changes to audited financial statements.

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

#### **4.1.1 Revised CTMS**

The verification team was presented with a revised CTMS spreadsheet during the verification visit. The revised spreadsheet removed some double counted production amounts. This was only a slight amendment.

#### **4.1.2 CTMS where there is no production in a quarter**

YPC had initially provided CTMS using surrogate models where no CTMS data existed due to no production in a specific quarter. The verification team identified that where surrogate models were used for any specific quarter, a yearly weighted average CTMS amount was used. At the request of the verification team YPC amended their CTMS using a weighted average CTMS amount for the specific quarter for the surrogate model as opposed to a yearly weighted average. Where no surrogate model CTMS data was available for a specific quarter, the annual weighted average was then used. This only resulted in a slight amendment to a small number of models.

### **4.2 Verification of costs to source documents**

The verification team verified the accuracy of YPC's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues.

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

### **4.3 Related suppliers**

The verification team did not identify any information that might suggest any of its raw materials suppliers were related to YPC based on the company's REQ, sales data and audited financial statements.

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### **4.4 Cost to make and sell – summary**

Having verified YPC's CTMS data for galvanised steel to audited financial accounts and source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

YPC's revised 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 YPCs 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 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 YPC's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

During the verification, an issue in relation to packaging was identified. The verification team did not identify any other issues during the downwards verification of domestic sales.

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

#### **5.2.1 Packaging**

YPC identified an error in the packaging costs which were originally provided with their REQ. Subsequently, YPC presented the verification team with a domestic sales spreadsheet with a slight amendment to the packing costs. This amendment was only minor, and was verified to the source documents.

### **5.3 Prime and non-prime products**

The verification team identified a substantial difference in prices between prime and non-prime products. Non-prime products are those products where there has been a defect on the coil and have not met the exporters and customers' expected standard. As a result the coil is downgraded to non-prime. Non-prime products are offered to customers at a discounted rate.

Further, it was explained that non-prime products are not offered for export sales. The verification team has therefore removed non-prime products from the domestic sales listing.

### **5.4 Related customers**

The verification team identified three domestic customers of galvanised steel that were related to YPC based on the company's REQ, sales data and audited financial statements.

These are made up of an integrated manufacturer of stainless steel that only purchased some merchandise for their own consumption and a cold rolling mill.

These sales were reviewed and it was determined that they were at the market price.



### 5.5 Arms length

The verification team has compared the weighted average prices for related and unrelated customers, and considers that prices to the company's related customers during the review period were reasonable.

Therefore, in respect of YPC's sales of galvanised steel to both 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
- 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 by YPC during the review period were arms length transactions.

### 5.6 Ordinary course of trade

Section 269TAAD 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 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 review period. Those sales found to be unrecoverable were considered not to be in the OCOT.

### 5.7 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.

As there were no exports of the goods to Australia during the review period the normal value cannot be ascertained under subsection 269TAC(1) for all sales. Therefore, the verification team has determined that the normal value should be determined using a constructed method, as permitted under subsection 269TAC(2)(c). The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices. These adjustments are outlined in Section 6 of this report.

Further, in REP 190, Australian Customs and Border Protection Services (ACBPS) found that a particular market situation exists in relation to domestic sales of galvanised steel

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exported to Australia from China. Accordingly domestic selling prices of those goods were considered unsuitable for determining a normal value under subsection 269TAC(1). Consistent with this finding, the normal value for YPC has been constructed under subsection 269TAC(2)(c) of the Act for the purposes of this review.

### **5.8 Domestic sales – summary**

The verification team is satisfied that the domestic sales listing provided by YPC is complete, relevant and accurate, and can be used for constructing a normal value under subsection 269TAC(2)(c).

The domestic sales spreadsheets are at **Confidential Appendix 2**.

## **6 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value<sup>4</sup>.

### **6.1 Packing**

The verification team considers an upward adjustment for export packing is required to ensure a fair comparison to the export price. The verification team was supplied with a revised packing cost worksheet for the review period for each packing type. The verification team was also supplied with a packing sheet identifying packing types for export sales. The verification team applied an upwards adjustment based on verified weighted average packing expenses for the packing types used in export sales.

The verification team did not consider a downwards adjustment for domestic packing as a constructed normal value was calculated as per subsection 269TAC(2)(c).

### **6.2 Inland freight and insurance**

The verification team considers an upward adjustment for export inland transport is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the verified weighted average inland transport expenses of third country exports to Thailand during the review period.

The verification team did not consider a downwards adjustment for domestic inland freight and insurance as a constructed normal value was calculated as per subsection 269TAC(2)(c).

### **6.3 Export charges**

The verification team considers an upward adjustment for export charges is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the verified weighted average export charges of third country exports to Thailand during the review period.

### **6.4 Value Added Tax**

An upwards adjustment for Value Added Tax (VAT), to reflect the residual VAT liability (non-refundable) for the exported goods was applied.

### **6.5 Adjustments – conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(9) and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

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<sup>4</sup> In accordance with subsection TAC(9)

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<b>Adjustment Type</b>	<b>Deduction/addition</b>
Export Packing	<b>Add</b> an amount for export packing
Export Inland freight and insurance	<b>Add</b> an amount for domestic inland transport
Export charges	<b>Add</b> an amount for inland transport
Value Added Tax	<b>Add</b> an amount for non-refundable VAT.

## **7 NORMAL VALUE**

As stated above at Section 5.8, the normal value for YPC has been constructed under subsection 269TAC(2)(c) due to a market situation that exists in relation to domestic sales of galvanised steel exported to Australia from China, which rendered domestic prices of those goods unsuitable for determining a normal value.

Normal values for domestic sales by YPC were established in accordance with subsection 269TAC(2)(c) using YPC's weighted average CTMS data by product model, with an upwards adjustment for profit based on domestic sales of like goods sold in the ordinary course of trade (OCOT).

The verification team calculated the profitability of domestic sales of like goods by comparing the selling price of galvanised steel with the corresponding quarterly CTMS. In calculating the profit percentage, the verification team has only included domestic sales made in the OCOT.

The verification team recommends that it may be appropriate to apply an uplift to the raw material costs due to the existence of a market situation. The case team will be responsible for making the final determination with relation to this.

To ensure the comparability of normal values and export prices the following adjustments to normal value were made under subsection 269TAC(9) of the Act (Section 6 refers):

- an upwards adjustment for export packaging, inland freight and insurance and export charges; and
- an upwards adjustment for Value Added Tax (VAT), to reflect net VAT liability for the exported goods.

Normal value calculations are at **Confidential Appendix 3**.

**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.

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### **9 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	CTMS spreadsheet
<b>Confidential Appendix 2</b>	Domestic sales and normal value
<b>Confidential Appendix 3</b>	Normal Value
<b>Confidential Attachment 1</b>	Verification work program, with attachments