



REVIEW 409

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

ADDENDUM TO THE VERIFICATION REPORT

BAOSHAN IRON & STEEL CO., LTD (BAOSTEEL)

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

November 2017

CONTENTS

CONTENTS..... 2

1 BACKGROUND..... 3

2 THE GOODS AND LIKE GOODS..... 4

2.1 THE GOODS EXPORTED TO AUSTRALIA4

2.2 EXPORT SALES TO THIRD COUNTRIES.....4

2.3 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....4

2.4 MODEL MATCHING.....4

2.5 LIKE GOODS – ASSESSMENT.....4

3 EXPORT SALES..... 5

3.1 EXPORT SALES TO AUSTRALIA5

3.2 EXPORT SALES TO THIRD COUNTRIES.....5

3.3 VERIFICATION OF THIRD COUNTRY SALES TO AUDITED FINANCIAL STATEMENTS.....5

3.4 VERIFICATION OF THIRD COUNTRY SALES TO SOURCE DOCUMENTS5

3.5 THE EXPORTER.....6

3.6 THE IMPORTERS.....6

3.7 RELATED PARTY CUSTOMERS6

3.8 ARMS’ LENGTH6

3.9 EXPORT SALES – ASSESSMENT7

4 COST TO MAKE AND SELL..... 9

4.1 THIRD COUNTRY COST INFORMATION9

4.2 VERIFICATION OF COSTS TO AUDITED FINANCIAL STATEMENTS9

4.3 VERIFICATION OF COSTS TO SOURCE DOCUMENTS9

4.4 RELATED PARTY PURCHASES9

4.5 COST TO MAKE AND SELL – SUMMARY10

5 VERIFICATION OF DOMESTIC SALES 11

6 NORMAL VALUE – ASSESSMENT 12

7 DUMPING MARGIN 13

8 APPENDICES AND ATTACHMENTS..... 14

1 BACKGROUND

As a result of the *Customs Amendment (Anti-Dumping Measures) Bill 2017*, the verification team sought additional information from Baoshan Iron & Steel Co., Ltd (Baosteel) relating to its third country sales exported during the review period and the direct export selling expenses associated with these sales.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

Baosteel did not export aluminium zinc coated steel to Australia during the review period. During the original investigation period of 1 July 2011 to 30 June 2012, Baosteel exported aluminium zinc coated steel to Australia of varying steel grades, base metal thickness, coating masses, grades and standards and widths.

2.2 Export sales to third countries

During the review period, Baosteel exported aluminium zinc coated steel to third countries of varying steel grades, base metal thickness, coating masses, grades and standards and widths.

2.3 Like goods sold on the domestic market

During the review period, Baosteel sold aluminium zinc coated steel to domestic customers in China. These goods were of varying steel grades, base metal thickness, coating masses, grades and standards and widths.

The verification team considers that aluminium zinc coated steel manufactured for domestic consumption are identical to, or have characteristics closely resembling, the aluminium zinc coated steel Baosteel exported to third countries during the review period and exported to Australia during the original investigation period, as they:

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

2.4 Model matching

Due to a market situation finding in China (refer Statement of Essential Facts No. 409 and 410), the normal value may be constructed using the costs to make the exported goods, plus the selling, general and administrative (SG&A) expenses applicable to the goods sold domestically, and an additional amount for profit. Therefore, model matching between export and domestic sales is not required.

2.5 Like goods – assessment

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

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

3 EXPORT SALES

3.1 Export sales to Australia

Baosteel did not export aluminium zinc coated steel to Australia during the review period. However, Baosteel did export aluminium zinc coated steel to Australia during the original investigation period. The verification team requested, and Baosteel provided, details of its exports to Australia during the original investigation period, downloaded directly from its sales system.

3.2 Export sales to third countries

Prior to the verification visit, the verification team requested, and Baosteel provided, details of its sales to third countries during the review period (refer **Confidential Appendix 1**). This sales listing was directly downloaded from Baosteel's sales system. The verification team also verified the direct export selling expenses, such as inland transport and bank charges, associated with those sales.

Baosteel exports aluminium zinc coated steel to third countries either directly to related traders located in the country of import or indirectly through unrelated Chinese traders. Baosteel's direct export sales were to Belgium, Canada, Hong Kong, Papua New Guinea, Suriname and Vietnam. For the sales made through unrelated Chinese traders, while Baosteel is aware that the goods are being exported, it does not know the identity of the final customer nor the destination country.

3.3 Verification of third country sales to audited financial statements

The verification team verified the completeness and relevance of Baosteel's third country 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**.

3.4 Verification of third country sales to source documents

The verification team verified the accuracy of Baosteel's third country 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 this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.5 The exporter

For export sales during the review period, the verification team considers Baosteel to be the exporter of the goods.² Baosteel manufactured the aluminium zinc coated steel that is exported to third countries. It also arranges delivery of aluminium zinc coated steel from its manufacturing facility to the port of discharge.

3.6 The importers

In relation to aluminium zinc coated steel exported to third countries directly by Baosteel, the verification team considers that the customers of the related traders were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

In relation to aluminium zinc coated steel exported to third countries via unrelated Chinese traders, the verification team does not have sufficient information to determine the importer in relation to those transactions as Baosteel does not have any information relating to the identity of the final customer nor the destination country.

3.7 Related party customers

During the review period, Baosteel exported aluminium zinc coated steel directly to third countries through related traders. As it did not directly export any aluminium zinc coated steel to third countries to unrelated customers, a comparison of prices between related and unrelated customers could not be undertaken.

The verification team selected two countries with the highest volume of direct export sales, which were to Belgium and Canada, for further assessment and requested details of the selling prices and relevant costs of its related traders made to unrelated customers to determine the profitability of those sales. Baosteel provided this information for all export sales to Belgium and Canada during the review period.

The verification team found that the sales of aluminium zinc coated steel by Baosteel's related traders were sold at a profit in relation to Baosteel's exports to Belgium however, sales of aluminium zinc coated steel by Baosteel's related traders were sold at a loss in relation to Baosteel's exports to Canada.

3.8 Arms' length

In respect of aluminium zinc coated steel manufactured by Baosteel and exported through related traders directly to third countries other than Canada during the review period, the verification team found no evidence that:

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

PUBLIC RECORD

- 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 received a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that Baosteel's sales of aluminium zinc coated steel to third countries other than Canada through related traders during the review period were arms length transactions.

In respect of aluminium zinc coated steel manufactured by Baosteel and exported through related traders directly to Canada during the review period, the verification team considers that 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 Baosteel's sales of aluminium zinc coated steel to Canada through related traders during the review period were not arms' length transactions.

3.9 Export sales – assessment

Subject to further enquires by the case management team, the verification team considers that there is insufficient information to ascertain the export price due to an absence of exports of the goods to Australia during the review period.

Having verified Baosteel's detailed third country export sales listing to audited financial statements and to source documents, the verification team is satisfied that the third country export sales listing is complete, relevant and accurate.

In relation to the export sales made to third countries other than Canada, the verification team considers that:

- like goods have been exported by the exporter; and
- the purchase of the like goods by the importers were arms' length transactions.

Therefore, the verification team considers that the third country export sales to third countries other than Canada can be used to determine Baosteel's export price under subsection 269TAB(2B)(b), being the price paid or payable for like goods sold by Baosteel in arms length transactions for exportation to an appropriate third country.

In relation to exports made through unrelated Chinese traders, Baosteel was unable to identify the country that those goods were exported to. Therefore, the verification team does not consider that those sales can be used to determine export prices under subsection 269TAB(2B)(b).

³ Section 269TAA of the Act refers.

PUBLIC RECORD

In addition, as the verification team found that exports to Canada were not arms length transactions, the verification team does not consider that those sales can be used to determine export prices under subsection 269TAB(2B)(b).

The verification team has referred the assessment of an appropriate third country to the case management team.

The verified third country sales listing is at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Third country cost information

Prior to the verification visit, the verification team requested, and Baosteel provided, details of the cost to make aluminium zinc coated steel exported to third countries during the review period.

4.2 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Baosteel's cost to make and sell (CTMS) spreadsheets by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified an issue relating to SG&A. 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 Selling, general and administrative expenses

The cost information provided by Baosteel was in relation to the cost to make. SG&A expenses were not included in the cost spreadsheets. The verification team calculated Baosteel's domestic SG&A expenses during the verification visit from its general ledger and added this amount to derive a cost to make and sell.

4.3 Verification of costs to source documents

The verification team was able to verify the accuracy of Baosteel's cost to make spreadsheets to source documents in accordance with ADN No. 2016/30.

The verification team made revision to the CTMS data to include model information. No other issues were identified. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3.1 Model information

Baosteel provided cost data for each order, however, the spreadsheet did not include specification details. The verification team noted that this information was provided in the sales listings and was able to identify the model by cross-referencing the order number. Using this information, the verification team calculated a quarterly weighted average cost to make and sell by model and grouped the models by standard, grade and zinc coating mass.

4.4 Related party purchases

Based on the company's response to the exporter questionnaire and documentation supplied for the purpose of the verification visit, the verification team noted that Baosteel purchased raw materials related to steel making from suppliers that were related to Baosteel.

PUBLIC RECORD

The verification team notes that the case management team will substitute Baosteel's hot rolled coil costs with a competitive market benchmark, therefore, the verification team does not consider it necessary to further verify and analyse these purchases.

4.5 Cost to make and sell – summary

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

Baosteel's verified CTMS spreadsheets are at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

There were no amendments to the verification of Baosteel's domestic sales listing. However, the verification team has made revisions to the ordinary course of trade assessment and profit calculation.

As discussed in section 4.3.1 above, the verification team was able to calculate a weighted average CTMS by model, and therefore revised the ordinary course of trade test using this information. Specifically, the verification team compared the revenue 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 review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

The revision to the cost data and ordinary course of trade test also resulted in a consequential revisions to the profit calculation.

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

6 NORMAL VALUE – ASSESSMENT

The verification team has referred the determination of a normal value to the case management team and therefore has not calculated a preliminary normal value.

7 DUMPING MARGIN

The verification team has referred the determination of the export price and corresponding normal value to the case management team therefore, the verification team has not calculated a preliminary dumping margin.

8 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Attachment 1	Verification work program