CONTINUATION INQUIRY 450 & REVIEW 456

CONTINUATION INQUIRY AND REVIEW OF ANTI-DUMPING MEASURES ON ALUMINIUM ZINC COATED GALVINIZED STEEL EXPORTED FROM THE PEOPLES REPUBLIC OF CHINA AND THE REPUBLIC OF KOREA

VISIT REPORT - EXPORTER

YIEH PHUI (CHINA) TECHNOMATERIAL CO., LTD

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

January 2018
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1 BACKGROUND

On 10 November 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate a review of anti-dumping measures in respect of aluminium zinc coated galvanized steel (the goods) and an inquiry into whether the continuation of anti-dumping measures in respect the goods exported to Australia from the Republic of China (China) and the Republic of Korea (Korea) is justified. The background to initiation of these matters is contained in Anti-Dumping Notices (ADN) No. 2017/157 and No. 2017/159.

Following initiation of these matters, a search of the Australian Border Force import database indicated that Yieh Phui (China) Technomaterial Co., Ltd (YPC) exported aluminium zinc coated galvanized steel to Australia from China during the period 1 October 2016 to 30 September 2017 (the inquiry period).

The Anti-Dumping Commission (the Commission) sought YPC’s cooperation through the completion of an Exporter Questionnaire regarding the goods.
2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the inquiry period YPC exported the goods to Australia. The goods exported to Australia were sold to the customer in Australia via related and unrelated trading entities.

2.2 Like goods sold in the domestic market

During the inquiry period, YPC also sold like goods to domestic customers in China.

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

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike, as they have similar end uses.

2.3 Model matching

Due to the market situation finding in the original investigation and most recent review of measures (see section 7 below), the verification visit team took the approach of assuming that such a market situation finding exists for this review period. Further analysis of the market situation finding will be included in the Statement of Essential Facts (SEF).

Without pre-empting the Commissioner’s decision on the market situation finding, the verification team notes that constructing normal values under 269TAC(2)(c) of the Customs Act 1901 (the Act) does not require matching domestic models to export models.

In the event that normal values are constructed, the cost of production or manufacture of the goods would be undertaken for each model having regard to the following key characteristics:

- Alloyed or non-alloyed base steel;
- Base metal thickness;
- Coating mass;
- Standard/Grade (Commercial quality, structural quality, drawing grade, forming grade);
- Width;

1 References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.
• Prime and non-prime quality;
• Finish; and
• Hot rolled or cold rolled base steel.

2.4 Like goods – preliminary assessment

The verification team considers that the goods produced by YPC for domestic sale have 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).\(^2\)

\(^2\) 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 YPC’s Australian 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 YPC’s Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process 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.

3.3 The exporter

For all Australian export sales during the inquiry period, the verification team considers YPC to be the exporter of the goods.3

3.4 The importer

In relation to the goods exported by YPC to Australia via trading entities during the inquiry period, the verification team considers the Australian purchasers of the goods from the trading entities to be the beneficial owners of the goods at the time of importation, and therefore the importers of the goods.

3.5 Arms length

In respect of Australian sales of the goods made by YPC to its customers during the inquiry 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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3 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 to Australia; 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.
The verification team therefore considers that all export sales to Australia made by YPC during the inquiry period were arms length transactions.

3.6 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate.

Based on the information obtained at the verification visit which confirms that the importer has not purchased the goods from the exporter, the verification team considers that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Export prices were calculated at free-on-board (FOB) terms.

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

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4 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 YPC’s cost to make and sell (CTMS) spreadsheets by reconciling each 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 was able to verify the accuracy of YPC’s cost of production spreadsheet 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 party purchases

The verification team is satisfied that YPC did not purchase any major raw materials from related parties during the inquiry period.

4.4 Cost to make and sell – summary

Having verified YPC’s CTMS spreadsheets to audited financial statements and source documents, the verification team is satisfied that the CTMS spreadsheets are complete, relevant and accurate.

The CTMS spreadsheets are 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 YPC’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 the upwards verification of domestic sales.

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. The verification team did not identify any issues during the downwards verification of domestic sales.

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

5.3 Prime and non-prime products and products subject to a quality rebate

The verification team noted that the domestic sales listing differentiated between prime and non-prime products. Non-prime products are those products affected by an identified defect on the coil from which they are produced. Non-prime products are offered to customers at a discounted rate, a fact evidenced by the substantial difference in prices identified by the verification team between prime and non-prime products. Non-prime products are not offered for export sales. The verification team does not consider non-prime products to be like goods sold in the ordinary course of trade and has therefore removed non-prime products from the domestic sales listing.

The verification team also queried the nature of the “Quality Rebate” included on the domestic sales listing. The verification team established that this rebate is applied by YPC when it has upheld a customer complaint that the goods sold proved to be unfit for purpose. The verification team does not consider goods subject to a “Quality Rebate” to be like goods sold in the ordinary course of trade and has removed transactions subject to this rebate from the domestic sales listing.

5.4 Related party customers

YPC made domestic sales of the goods to related parties during the inquiry period.

The verification team compared the verified volumes and unit selling prices of the goods sold during the inquiry period to related and unrelated parties. The verification team found that prices achieved on sales to related parties were comparable to the prices achieved on sales to unrelated parties.
5.5 Arms length

In respect of domestic sales of the goods made by YPC to its related and unrelated customers during the inquiry 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 made by YPC during the inquiry period were arms length transactions.

5.6 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 like goods 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.

5.7 Suitability of domestic sales and profit

Subparagraph 269TAC(2)(a)(ii) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1).

Due to the market situation finding detailed in section 7 below, the case team will likely construct normal values. Information about the construction of normal values will be included in the Statement of Essential Facts.

The profitability of domestic sales of like goods has been calculated by comparing the 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.
5.8 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 the profitability of sales in the ordinary course of trade for the purposes of constructing a normal value in accordance with subsection 269TAC(2)(c).

The 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 on board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Inland transport and handling charges

The verification team verified the inland transport and handling charges for domestic and export sales and was satisfied that the amounts provided in the sales listings are accurate.

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

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

6.2 Packaging

The verification team verified the packaging costs incurred for both domestic and export sales and was satisfied that the amounts provided in the sales listings are accurate.

The verification team considers that a downwards adjustment to the normal value for domestic packaging costs and an upwards adjustment to the normal value for export packaging costs is necessary to ensure a fair comparison to the FOB export price.

6.3 Non-refundable VAT

YPC incurs a non-refundable VAT expense on export sales to Australia of 4 per cent, being the difference between the VAT rate of 17 per cent applied on export sales of the goods and the 13 per cent VAT refunded on export sales of the goods.

The verification team has, therefore, applied an upward adjustment of 4 per cent to the normal value.

6.4 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments. The verification team considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.
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<tr>
<th>Adjustment Type</th>
<th>Deduction/addition</th>
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<tbody>
<tr>
<td>Domestic inland transport</td>
<td>Deduct the cost of domestic inland transport</td>
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<tr>
<td>Domestic packaging</td>
<td>Deduct the cost of domestic packaging</td>
</tr>
<tr>
<td>Export inland transport</td>
<td>Add the cost of export inland transport</td>
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<tr>
<td>Export packaging</td>
<td>Add the cost of export packaging</td>
</tr>
<tr>
<td>Non-refundable VAT</td>
<td>Add the non-refundable VAT amount of 4 per cent</td>
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The verification team’s preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.
7 NORMAL VALUE

In the most recent review of measures applying to YPC the Commission determined that a particular market situation exists (pursuant to subsection 269TAC(2)(a)(i)) in relation to domestic sales of galvanised steel exported to Australia from China, rendering domestic prices of those goods unsuitable for determining a normal value under subsection 269TAC(1).

Furthermore, in relation to that review, the Commission did not consider that the records of the Chinese exporters of galvanised steel reasonably reflected competitive market costs associated with the production of those goods, for the purposes of section 43 of the *Customs (International Obligations) Regulation 2015* (the Regulations). The Commission adjusted the cost of hot rolled coil (HRC) for Chinese exporters by referencing a market benchmark in order to establish a competitive market cost for HRC.

The case team will be reviewing these findings and determinations in preparing the SEF. The case team will determine normal values at that time. As such the verification team has not determined normal values at this time.
8 DUMPING MARGIN

As detailed in section 7 above, normal values have not been determined as part of the verification process. As such, a dumping margin has not been assessed in respect of the goods exported to Australia by YPC for the inquiry period.

Dumping margins will be determined and detailed in the SEF.
## 9 APPENDICES AND ATTACHMENTS

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<th>Australian export sales</th>
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<tr>
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<td>CTMS</td>
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<td>Confidential Attachment 1</td>
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