



Inquiry 450 and Review 456

**CONTINUATION INQUIRY AND REVIEW OF
ANTI-DUMPING MEASURES ON ALUMINIUM ZINC
COATED STEEL EXPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA AND THE
REPUBLIC OF KOREA**

VISIT REPORT - EXPORTER

ANGANG STEEL COMPANY LIMITED

**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**

February 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 steel (the goods) and an inquiry into whether the continuation of anti-dumping measures in respect the goods exported to Australia from the People's 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. 2017/156 and No. 2017/158.

Following initiation of these matters, a search of the Australian Border Force import database indicated that Angang Steel Company Limited (Angang) did not export aluminium zinc coated steel to Australia from China during the period 1 October 2016 to 30 September 2017 (the inquiry period).

The Anti-Dumping Commission (the Commission) nevertheless sought Angang's cooperation through the completion of an Exporter Questionnaire regarding the goods. Angang provided a complete exporter questionnaire response and relevant attachments for the inquiry period.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

Angang did not export the goods to Australia during the inquiry period.

2.2 Like goods sold in the domestic market

During the inquiry period, Angang 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 that Angang may export 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 Like goods – preliminary assessment

The verification team considers that the goods produced by Angang for domestic sale have characteristics closely resembling those of the goods that Angang may export 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 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team found no evidence that Angang exported aluminium zinc coated steel to Australia during the review period.

3.2 Export price – preliminary assessment

The verification team is satisfied that Angang did not export aluminium zinc coated steel to Australia during the review period. Therefore, there is insufficient information available to ascertain the export price of the goods under subsections 269TAB(1)(a), (b), or (c).

Since Angang did not export the relevant goods to Australia during the review period the verification team considers it appropriate to determine the export price of the goods under subsection 269TAB(2B) having regard to any of the following:

...

(a) the export price for the goods exported to Australia by the exporter established in accordance with subsection 269TAB(1) for a decision of a kind mentioned in subsection 269TAB(2D);

(b) the price paid or payable for like goods sold by the exporter in arm's length transactions for exportation from the country of export to a third country determined by the Minister to be an appropriate third country;

(c) the export price for like goods exported to Australia from the country of export by another exporter or exporters established in accordance with subsection 269TAB(1) for a decision mentioned in subsection 269TAB(2D).

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Angang'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 Angang'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

Angang submitted a revised raw material purchases spreadsheet to include a column to distinguish between related and unrelated suppliers.

The verification team identified that several suppliers of materials are related to Angang. These related party transactions were disclosed in Angang's raw material purchases spreadsheet and in Angang's financial statements, where Angang listed the raw materials purchased from these related parties.

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 raw materials purchased from related parties were higher than those purchased from unrelated parties.

Therefore, the verification team considers that purchases from related suppliers are arm's length transactions.

The verification team notes however, that the case management team may substitute Angang's hot rolled coil steel costs with a competitive market benchmark if a market situation finding is made in this inquiry.

4.4 Cost to make and sell – summary

Having verified Angang'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 Angang'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.

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

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

The verification team identified the following issue:

5.2.1 Inland transport

The verification team was not able to reconcile the allocations of inland transport to the source data provided by Angang. Angang rectified the allocations in a revised domestic sales listing provided during the visit. The verification team was able to reconcile these allocations.

5.3 Related party customers

Angang made domestic sales of the goods to related parties during the inquiry period. The verification team reviewed the sales data in conjunction with Angang's audited Annual Report for 2016 and did not identify any additional domestic customers that may be related to Angang.

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.

5.4 Arm's length

In respect of domestic sales of the goods made by Angang 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

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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.

The verification team therefore considers that all domestic sales made by Angang during the inquiry period were arm's length transactions.

5.5 Ordinary course of trade

Section 269TAAAD 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.

5.6 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).

The verification team has not calculated a normal value on the basis that the case management team is analysing the market situation in China and the case management team will complete this calculation once the analysis is complete. See chapter 7.

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.

5.7 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 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), should this be the preferred method for calculating a normal value by the case management team.

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

6 ADJUSTMENTS

If the case management team make a market situation finding in China, the verification team recommend the following adjustments to the normal value in accordance with subsection 269TAC(9) to ensure that the normal value is comparable to the export price of goods that may be exported to Australia. Export adjustments below have been recommended on the finding that both zinc coated (galvanised) steel and aluminium zinc coated steel sold by Angang carry the same costs.

6.1 Handling charges

The verification team has verified the export handling charges against the contract between Angang and its freight forwarder.

The verification team recommends an upwards adjustment to the normal value based on the actual cost per tonne.

6.2 Inland transport

The verification team verified the inland transport for domestic and export sales and was satisfied that the amounts provided in the sales listings are accurate. It was noted that the delivery terms for the domestic sales were either Ex-Works or Door-to-Door (DTD) whilst the Australian export sales were at FOB terms.

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

The verification team recommends a downwards adjustment on the basis of actual cost incurred and an upwards adjustment based on the weighted average cost (per tonne) for these expenses over the inquiry period.

6.3 Bank charges

Angang incurs bank fees when receiving payments for its Australian sales. Angang allocates the bank charges on an actual cost basis. The verification team has verified samples of the bank charges. The verification team also noted that these charges were not applicable to the domestic sales.

The verification team recommends an upwards adjustment to the normal value based on the weighted average cost (per tonne) for these expenses over the inquiry period.

6.4 Commissions

The verification team has verified the commissions paid by Angang to a trading company that performs the export sales function on Angang's behalf.

The verification team recommends an upwards adjustment to the normal value based on the weighted average cost (per tonne) for the commissions over the inquiry period.

6.5 Non-refundable VAT

Angang 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 recommends an upward adjustment of 4 per cent to the normal value.

6.6 Packaging

The verification team verified packaging costs as well as sighting the packaging process during a tour of the production facility and was satisfied that there was no difference between Angang's domestic and export packaging costs. This is also consistent with verified sales contracts. The packaging costs are included in Angang's cost to make data.

The verification team therefore considers that no adjustment is required for packaging.

6.7 Warranty

The verification team inquired whether Angang incur expenses for warranty relating to inferior goods and goods returned from the customers. Angang stated that no such expenses were incurred by the company. The verification team has verified Angang's sales and cost to make data to management accounts and financial statements and did not sight any warranty expenses, nor did the verification team find any other evidence of such costs when verifying Angang's sales and financial data.

The verification team hence considers that no adjustment is required for warranty.

6.8 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.

Adjustment Type	Deduction/addition
Domestic inland transport	Deduct the cost of domestic inland transport
Export inland transport	Add the cost of export inland transport
Handling charges	Add the cost of export handling charges
Bank charges	Add the cost of export bank charges
Commission	Add the cost of export commission
Non-refundable VAT	Add the non-refundable VAT amount of 4 per cent

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 Angang, the Commission determined that a particular market situation exists in China (pursuant to subsection 269TAC(2)(a)(i)) in relation to domestic sales of aluminium zinc coated steel exported to Australia from China, rendering domestic prices of those goods unsuitable for determining a normal value under subsection 269TAC(1).

In the event that a market situation is found, normal values can be constructed under 269TAC(2)(c) using:

- Angang's cost to make the reasonably reflective competitive market costs^[1]; plus
- SG&A on the assumption that the goods, instead of being exported, were sold domestically; plus
- A rate of profit, as discussed in section 5.6 above, has been added using its domestic sales of like goods made in the ordinary course of trade^[2].

The verification team has not determined whether there is a particular market situation or whether the costs of production in the exporter's records reasonably reflect competitive market costs. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that in the event of the case team constructing normal values under 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above.

^[1] Section 43(2) of the *Customs (International Obligations) Regulation 2015*

^[2] Section 45(2) of the *Customs (International Obligations) Regulation 2015*

8 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	CTMS
Confidential Appendix 2	OCOT
Confidential Attachment 1	Verification work program, with attachments