



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

REVIEW 367

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

VERIFICATION REPORT - EXPORTER

JIANGYIN ZONGCHENG STEEL 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**

February 2017

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1 BACKGROUND

On 30 August 2016, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate a review of the anti-dumping measures in respect of aluminium zinc coated steel exported to Australia from the People's Republic of China (China) by Jiangyin Zongcheng Steel Co., Ltd (Zongcheng) in Anti-Dumping Notice (ADN) No. 2016/87. The background relating to initiation of this review is contained in Consideration Report No. 367.

Following initiation of the review, a search of the Australian Border Force import database confirmed that Zongcheng did not export aluminium zinc coated steel to Australia from China during the period 1 July 2015 to 30 June 2016 (the review period).

The Anti-Dumping Commission (the Commission) sought Zongcheng's cooperation through the completion of an Exporter Questionnaire regarding aluminium zinc coated steel.

The Commission elected not to conduct on-site verification of the information provided in the export questionnaire. Instead, the Commission relied upon previous onsite verification of Zongcheng's coated steel sales and costs. This analysis included tests for the reasonableness, accuracy and completeness of export sales, domestic sales and cost to make and sell (CTMS) data.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

Zongcheng did not export aluminium zinc coated steel to Australia during the review period.

2.2 Like goods sold on the domestic market

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

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

- are not 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.

2.3 Model matching

Due to the presence of a market situation, which requires that Chinese hot rolled costs be adjusted to reflect an appropriate benchmark price the normal value cannot be ascertained based on domestic selling prices, therefore, model matching between export and domestic sales is not required. The verification team has constructed the normal value based on cost to make and sell aluminium zinc coated steel by Zongcheng plus an amount for profit. Given that Zongcheng did not export aluminium zinc coated steel to Australia during the review period, the verification team used cost to make and sell based on Zongcheng's sales of like goods on the domestic market.

2.4 Like goods – preliminary assessment

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

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

The verification team found no evidence that Zongcheng exported aluminium zinc coated steel to Australia during the review period that would be relevant for the purpose of determining the export price of the goods under subsection 269TAB(1).

3.2 Export price – preliminary assessment

The verification team is satisfied that Zongcheng did not export any goods to Australia during the review period. Therefore, there is insufficient information available to enable the export price of the goods to be ascertained under subsections 269TAB(1)(a), (b), or (c).

The verification team considers it appropriate to determine the export price of the goods under subsection 269TAB(3) having regard to all relevant information. The verification team considers that the export price of aluminium zinc coated steel with respect to Zongcheng be the same amount as that determined to be the normal value.

4 COST TO MAKE AND SELL

4.1 Verification of costs

The verification team verified the completeness and relevance of Zongcheng's CTMS spreadsheet by reconciling it to audited financial statements. The CTMS spreadsheet is at **Confidential Appendix 1**. 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 verified the accuracy of Zongcheng's CTMS spreadsheet by reconciling it to source documents.

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 company's response to the Exporter Questionnaire and documentation supplied for the purpose of the verification, the verification team did not identify any suppliers that might be related to Zongcheng.

4.4 Cost to make and sell – conclusion

Having verified a large portion of Zongcheng's CTMS data to audited financial statements and to source documents, the verification team is satisfied that Zongcheng's CTMS spreadsheet is reasonably complete, relevant and accurate.

Zongcheng's verified 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 Zongcheng's domestic sales listing by reconciling it to audited financial statements.

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 Zongcheng's domestic sales listing by reconciling it to source documents. 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**.

5.3 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 noted that non-prime products were not offered for export during the original investigation. The verification team has therefore removed non-prime products from the domestic sales listing.

5.4 Related party sales

Based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of the verification, the verification team did not identify any domestic customers that might be related to Zongcheng.

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 aluminium zinc coated steel to the corresponding monthly 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.

5.6 Suitability of domestic sales

In the original investigation, it was established that, in accordance with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese aluminium zinc coated steel market that renders domestic selling prices in that market unsuitable for the purpose of determining the normal value for aluminium zinc coated steel under subsection 269TAC(1).

Therefore, the verification team considers 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.

5.7 Profitability of domestic sales

Where the normal value has been constructed under paragraph 269TAC(2)(c), an amount for profit has been included with respect to the profitability of domestic sales of like goods made in the ordinary course of trade (OCOT).¹

5.8 Domestic sales – summary

As indicated above it has been established pursuant to Section 269TAC(2)(a)(ii), that a situation exists in the domestic Chinese aluminium zinc coated steel market that renders domestic selling prices in that market unreasonable for the purposes of determining normal values for aluminium zinc coated steel under section 269TAC(1) of the Act.

Consequently the verification team has, for the purposes of this Review constructed the normal value for Zongcheng under section 269TAC(2)(c) of the Act.

The domestic sales listing is at **Confidential Appendix 2**.

¹ Subsection 45(2) of the *Customs (International Obligations) Regulation 2015* refers.

6 ADJUSTMENTS

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

6.1 Domestic and Export Packaging

The verification team considers that a downward adjustment to the normal value for domestic packing expenses is necessary to ensure a fair comparison to the FOB export price. The verification team applied this adjustment based on the weighted average domestic packing costs verified in Review 365.

The verification team also considers that an upward adjustment for export packing expenses is required, to ensure a fair comparison to the FOB export price. The verification team applied this adjustment based on the weighted average export costs verified in Review 365.

6.2 Export Inland Transport

The verification team considers that an upward adjustment for export inland freight expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for those expenses verified in Review 365.

6.3 Export Handling

The verification team considers that an upwards adjustment to the normal value for export handling is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for these expenses verified in Review 365.

6.4 Export Commissions

The verification team considers that an upwards adjustment to the normal value for export commissions in respect of domestic sales is required to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per tonne) for this expense verified in Review 365.

6.5 Un-refundable Value-Added Tax liability

Zongcheng incurred an un-refundable value-added tax (VAT) expense on exports sales to Australia during the original investigation. The verification team considers that an upward adjustment to the normal value for non-refundable (residual liability) VAT is warranted. The verification team applied an upwards adjustment of 4 per cent (17 per cent VAT less 13 per cent rebate).

6.6 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and

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considers the following adjustments are necessary to ensure a fair comparison of normal values and export prices (at FOB):

Adjustment Type	Deduction/addition
Domestic packaging	Deduct the cost of domestic packaging
Export inland transport	Add the cost of inland freight
Export handling	Add the cost of export handling
Export packaging	Add the cost of export packaging
Export commissions	Add the cost of export commission paid
Un-refundable VAT liability	Add the difference in VAT liability between export and domestic sales.

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

7 NORMAL VALUE

Due to the presence of market situation, the verification team considers that normal value should be determined under subsection 269TAC(2)(c), using the cost of production or manufacture of the goods in the country of export; and, on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export, the administrative, selling and general costs associated with such a sale and the profit on that sale.

Consistent with the methodology applied in Investigation 190, the Commission has adjusted HRC costs for Zongcheng. All other costs reported by Zongcheng have been adopted without amendment.

For the purpose of constructing the normal value of the goods under subsection 269TAC(2)(c), the verification team considers that an amount for administrative, selling and general costs should be worked out under Regulation 44(2) of *the Customs (International Obligations) Regulation 2015* (the Regulations), using the administrative, selling and general costs associated with the sale of like goods.

Further, the verification team considers that an amount for profit should be worked out under Regulation 45(2), using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure that the normal value is properly comparable with the export price, as outlined in Section 6 of this report.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

8 DUMPING MARGIN

The verification team has ascertained that the export price of the goods is equivalent to the normal value of the goods, therefore, the dumping margin is zero.

8 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	CTMS spreadsheet
Confidential Appendix 2	Domestic sales
Confidential Appendix 3	Normal value
Confidential Attachment 1	Verification work program, with attachments