



INVESTIGATION 322

**ALLEGED SUBSIDISATION OF STEEL REINFORCING BAR
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

EXPORTER VISIT REPORT

**SHANDONG IRON AND STEEL COMPANY LIMITED, LAIWU
COMPANY**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
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BACKGROUND

On 23 December 2015, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate a subsidy investigation in respect of steel reinforcing bar (Rebar) exported to Australia from the People's Republic of China (China) in Anti-Dumping Notice (ADN) No. 2015/152. The background relating to initiation of this investigation is contained in Consideration report number 322 (CON 322).

This investigation follows the Commission's dumping investigation number 300 (INV 300) rebar exported from China. The final report and the Commissioner's findings regarding INV 300 was published on the Commission's website on 13 April 2016 and can be found using the following link www.adcommission.gov.au.

The investigation period and injury analysis period for INV 300 and for this investigation are the same (i.e. investigation period is from 1 July 2014 to 30 June 2015; and the injury analysis period is from 1 July 2011 to 30 June 2015).

Following initiation of the investigation, a search of the Australian Border Force (ABF) import database indicated that Shandong Iron and Steel Company Limited, Laiwu Company (Laiwu) exported rebar to Australia from China during the investigation period.

Laiwu was one of the cooperating exporter's for INV 300 and was visited by the Commission to verify the information it provided regarding that investigation. The exporter visit report for Laiwu regarding INV 300 can be found at the Commission's website using the following link www.adcommission.gov.au.

The Commission notified Laiwu of initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding rebar. Laiwu provided a completed response to the Exporter Questionnaire and relevant attachments within the required timeframe.

1 THE GOODS AND LIKE GOODS

1.1 Goods Description

The goods under consideration (“the goods”) i.e. the goods exported to Australia at allegedly at dumped prices and in receipt of subsidies, are:

“Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods covered by this application include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

Goods excluded from this application are plain round bar, stainless steel and reinforcing mesh.”

1.2 Like goods sold on the domestic market

Laiwu only manufactured and marketed rebar in straight lengths for both the domestic and international markets during the investigation period. Various different grades were manufactured and sold during the investigation period.

A detailed discussion regarding the assessment of the like goods was done during the dumping investigation number 300 (INV 300) visit to Laiwu and is contained in exporter visit report for that investigation.

1.3 Like goods – preliminary assessment

The visit team considers that rebar produced by Laiwu for domestic sale has 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*¹.

¹ A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

2 VERIFICATION OF EXPORT SALES TO AUSTRALIA

The export sales data provided by Laiwu was also provided earlier for INV 300. The export sales information was verified and the export price was established during INV 300 for Laiwu. Therefore, the visit team did not verify the export sales data for this investigation. It is to be noted that the investigation period for INV 300 and for this investigation (INV 322) is same (i.e. from 1 July 2014 to 30 June 2015).

The visit team used the export price that was established for the INV 300. A summary of findings during INV 300 regarding Laiwu that is relevant to this investigation is discussed below:

For all export sales during the investigation period, the visit team considers Laiwu to be the exporter² of the goods.

2.1 The importer

In relation to the goods exported by Laiwu during the investigation period, the customers listed in the consolidated Australian sales listing were the beneficial owners of the goods at the time of importation and therefore were the “importers” of the goods.

2.2 Arms length

In respect of all export sales of rebar to Australia during the investigation period, the visit team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price;
- the price is 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, will directly or indirectly be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all export sales to Australia during the investigation period were arms-length transactions as established during INV 300.

2.3 Export price – preliminary assessment

For export sales to Australia, the verification team considers:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter; and
- the purchases of the goods were arms length transactions.

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, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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Therefore, the verification team considers that export prices can be established under paragraph 269TAB(1)(a) using the invoiced price less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation. As the invoiced price in all cases was on an FOB basis, no adjustment to the invoiced prices is required.

Export prices have been calculated on a monthly basis on a unit value per tonne in Renminbi (RMB) on an FOB basis as established during INV 300.

The preliminary export price calculations are at **Confidential Appendix 1**.

3 SUBSIDY PROGRAMS

3.1 Program 1: Billet provided by the Government of China at less than adequate remuneration

Being a fully integrated company, Laiwu self-produced billets which was then used to manufacture the goods.

We noted that the billet cost to make was verified in detail during the dumping verification visit and that there were no discrepancies identified, therefore, the visit team did not verify billet costs during this visit.

Laiwu self-produced all billets that was used in the production of the goods. At the visit, Laiwu provided the visit team with total quantity of billets produced and consumed during the investigation period on a monthly basis.

Having established that Laiwu is a state owned entity, the visit team found that Laiwu benefited from program (i.e. Laiwu self-supplied billet at less than adequate remuneration). The amount of the benefit and subsidy margin calculated by the visit team is at **Confidential Appendix 3**.

3.2 Program 2: Coking coal provided by the Government of China at less than adequate remuneration

Upward verification - Given that an upward verification had already been completed during the dumping verification, Laiwu provided us with the details of the documentations and working papers that were collected during dumping visit. From the dumping visit report, we noted that there were no issues with the upward verification.

For completeness, we obtained inventory sub-ledger for coking coal (raw materials) and reconciled the value and volume of coking coal reported in the spreadsheet for this investigation. We are satisfied that Laiwu's coking coal data is complete and relevant.

Downward verification – when comparing the selected invoices with the ledger and reconciling it to the spreadsheet submitted in response to the exporter questionnaire (REQ), we noted that in the spreadsheet that was provided to us includes 'dry' weight of coking coal and 'wet' price. Laiwu explained that in its contract with its suppliers, 'wet' weight and 'wet' price has been provided. While Laiwu re-weighs and adjusts the weight in its record, it does not make any adjustments to the value of the coking coal.

The visit team made a positive adjustment to the purchase price of coking coal. The Commission used the weighted average price difference using four cooperating exporter's data. Laiwu's data and another cooperating exporter's data for this investigation and two other cooperating whose data was verified by the Commission for rod in coils subsidy investigation (INV 331).

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

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Given that coking coal is one of the raw materials used in the production of the billet, which in turn is used to produce rebar, and the fact that a benefit and subsidy margin has been calculated at billet level, to avoid double counting the visit team did not calculate the subsidy margin for this program.

3.3 Program 3: Coke provided by the Government of China at less than adequate remuneration

Upward verification: As discussed in section 3.2 above, Laiwu explained that the upward verification was done by the visit team during the dumping verification. For completeness, we obtained inventory sub-ledger for coke and reconciled the value and volume of coke reported in the spreadsheet for this investigation. The visit team is satisfied that Laiwu's coke data is complete and relevant.

Downward Verification: At the visit Laiwu provided us with the source documents for the selected transactions that was provided to Laiwu in the agenda for this meeting. The visit team noted that freight details were not included in the data that was provided to the Commission in REQ. We asked and Laiwu provided us with a revised coke data by including freight costs for each transaction.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

Given that coke is one of the raw materials used in the production of the billet, which in turn is used to produce rebar, and the fact that a benefit and subsidy margin has been calculated at billet level, to avoid double counting the visit team did not calculate the subsidy margin for this program.

3.4 Program 4: Electricity provided by the Government of China at less than adequate remuneration

Upward Verification: Given that an upward verification was done during the dumping verification and that there were no major discrepancies identified, the visit team did not do any further upward verification.

Downward Verification: the visit team noted that, in REQ Laiwu only provided the Commission with the electricity purchased of the manufacturing plant only. The visit team noted that electricity data for self-produced electricity was omitted were omitted. The visit team asked and Laiwu provided the total value and quantity of self-produced electricity produced and during the investigation period.

Province in its response to the government questionnaire. Laiwu stated that that it was subject to the "Large Industrial - Other" rate. During the verification visit, Laiwu provided a detailed breakdown of monthly electricity usage by period of usage and total cost. The visit team verified the accuracy of Laiwu's electricity purchases by reconciling them to source documents in accordance with ADN No. 2016/30.

The visit team compared the average price paid for electricity for each month of the investigation period and found that in every month Laiwu paid a price higher than the benchmark price. The team therefore determined that, regardless of whether this program is found to be a countervailable subsidy in relation to rebar, if the benchmark price is

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based on the GOC tariff schedule, then Laiwu did not receive a benefit under this program.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.5 Programs 5-9: Preferential tax policies

In response to exporter questionnaire, Laiwu stated that it did not any receive any subsidy regarding alleged subsidy program numbers 5, 6, 7, 8 and 9.

At the visit, Laiwu confirmed that the company has not received any subsidy benefits under these programs. From the examination of income tax returns, VAT returns, financial reports, asset register and general ledgers we did not find any evidence that suggest that Laiwu or any of its affiliated companies benefited from programs 5,6,7,8 and 9.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.6 Programs 10-42: Financial grants alleged in the application

In response to exporter questionnaire, Laiwu stated that it did not receive any subsidy regarding alleged subsidy program numbers 10 to 42.

At the visit, we confirmed that the company has not received any subsidy benefits under these programs. From our examination of financial reports, asset register and general ledgers we did not find any evidence that suggest that Laiwu or any of its affiliated companies benefited from programs from 10 to 42.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.7 Programs 43 - 45: Equity Programs

In response to exporter questionnaire, Laiwu stated that it did not receive any subsidy regarding alleged subsidy program numbers 43, 44 and 45.

At the visit, Laiwu confirmed that the company has not received any subsidy benefits under these programs. From our examination of financial reports, asset register and general ledgers and online research, we did not find any evidence that suggest that Laiwu or any of its affiliated companies benefited from programs from 43, 44 and 45.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**

3.8 Programs 46 and 177: Preferential loans and Loan Guarantee

The applicant alleged that the exporters of rebar benefited from subsidised interest rates from State Owned Commercial Banks and government banks in accordance with the Government of China policy to support and develop the expansion of the Chinese steel industry under the five year plans.

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In response to exporter questionnaire, Laiwu stated that it did not receive any benefit from the alleged subsidy program number 46. Additionally, in the response to the exporter questionnaire, Laiwu indicated that most of their loans were required to have a guarantor and therefore the visit team also considered whether or not Laiwu received any benefit under program 177. While at the visit, we verified the ownership of the guarantor companies and noted that Laiwu only received a guaranteed from one of its own parent companies. This is considered to be within commercial business practices and is therefore not considered to be countervailable, and the Commission concluded that Laiwu did not receive a benefit under Program 177.

At the visit, we conducted upward and downward verification by examining Laiwu's financial reports, short-term and long-term loan general ledger accounts, and sample documentation for loans selected by the Commission. Laiwu also provided evidence that satisfied the visit team that they had provided information regarding all of their current loans. During follow-up analysis of the information provided by Laiwu after the visit, we noted that there was some inconsistent information provided regarding the interest rates in the loans summary spreadsheets and contracts and information provided to show how the amount of interest paid was calculated. Where the interest rates provided were inconsistent, the Commission assumed the lower of the two interest rates to be correct.

In relation to Government ownership of banks, some information provided by Laiwu was inconsistent with information provided by other exporters. In order to maintain consistency of treatment, the Commission compared the information provided by all exporters in relation to Government ownership of banks and supplemented this information with public record research. For the purpose of completing preliminary calculations, the visit team considered that if a bank's major shareholder was a Government body or an SIE, therefore, it was treated as a public body.

The Commission compared the interest paid by Laiwu during the period, to the rate recommended by the People's Bank of China benchmark lending rate. The visit team found that Laiwu benefited from Program 46. The benefit and subsidy calculations are at Confidential **Appendix 3**.

3.9 Programs 47 - 176: Miscellaneous grants

In response to exporter questionnaire, Laiwu stated that it benefited from programs 58, 62, 63 and 78.

At the visit, Laiwu confirmed that the company has received subsidy benefits under these programs. Laiwu did not benefit from any other grant programs. From the examination of financial reports, asset register and general ledgers, the visit team did not find any evidence that suggest that Laiwu or any of its affiliated companies benefited from programs other than Programs 58,62 ,63 and 78.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

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3.10 Verification of Laiwu's costs up to audited financial statements

The visit team verified the completeness and relevance of Laiwu's cost to make and sale spreadsheet by reconciling it to audited financial accounts in accordance ADN 2016/30.

The visit team is satisfied that the cost data provided by Laiwu's is complete and relevant.

3.11 Verification of costs down to source documents

The visit team verified the accuracy of Laiwu's cost raw materials spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The visit team is satisfied that the cost data provided by Laiwu's is complete and relevant.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4 SUBSIDY MARGIN

The subsidy margin has been assessed in accordance with paragraph 269TACD(2) of the Act.

The preliminary subsidy margin in respect of rebar exported to Australia Shandong Iron and Steel Company Limited, Laiwu Company for the investigation period is **22.96%**.

Details of the preliminary subsidy margin calculation is at **Confidential Appendix 3**.

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5 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Assessment of subsidy programs
Confidential Appendix 3	Subsidy margin
Confidential Attachment 1	Verification work program