



**Australian Government**  
**Anti-Dumping Commission**

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**INVESTIGATION 322**

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

**SUBSIDY MARGIN CALCULATION REPORT**

**HUNAN VALIN XIANGTAN IRON & 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**

**July 2016**

# PUBLIC RECORD

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## 2 BACKGROUND

### 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](http://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 Hunan Valin Xiangtan Iron & Steel Co. Ltd (Hunan Valin) exported rebar to Australia from China during the investigation period.

Hunan Valin was one of the cooperating exporter's for INV 300. The dumping margin report for Hunan Valin regarding INV 300 can be found at the Commission's website using the following link [www.adcommission.gov.au](http://www.adcommission.gov.au).

The Commission notified Hunan Valin of the initiation of the investigation, and sought its cooperation with the investigation through the completion of an Exporter Questionnaire regarding rebar.

Hunan Valin provided a complete response to the Exporter Questionnaire and relevant attachments within the required legislative timeframe.

### 3 THE GOODS AND LIKE GOODS

#### 3.1 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.”*

#### 3.2 Like goods sold on the domestic market

Hunan Valin submitted in its EQR that it produced goods that are like to those exported to Australia. Hunan Valin submitted the main determinants for likeness were:

- Grade (noting only 500-grade products were exported to Australia during the investigation period);
- Type (e.g. coil vs. straight); and
- Technical specification (i.e. relevant standards or technical requirements).

#### 3.3 Like goods – preliminary assessment

The assessment team considers that rebar produced by Hunan Valin 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*<sup>1</sup>.

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<sup>1</sup> 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.

## 4 EXPORT PRICE

### 4.1 Australian export sales

In its response to the Exporter Questionnaire, Hunan Valin provided a detailed spreadsheet listing its Australian export sales of rebar during the investigation period on a line-by-line basis (referred to as the export sales listing).

In its response to the Exporter Questionnaire, Hunan Valin stated that all of its products were sold to Australian customers and that it was not related to any of its Australian customers during the investigation period. The assessment team did not find any evidence indicating any relationship between Hunan Valin and its customers other than commercial relationship.

### 4.2 Export price – preliminary assessment

The assessment team considers that:

- Hunan Valin is the exporter;
- the goods have been exported to Australia otherwise than by the importer; and
- purchases of the goods by the importer were arm's length transactions.

As such, the export price has been calculated using paragraph 269TAB(1)(a) of the *Customs Act 1901* (the Act)<sup>2</sup>, which is the price paid by the importer less transport and other costs arising after exportation.

Details of the preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>2</sup> References to any section, subsection or paragraph in this report relate to provisions of the Act, unless specifically stated otherwise.

### 3 SUBSIDY PROGRAMS

The Commission noted that responses provided in the exporter questionnaire for this investigation and INV 331 (concurrent subsidy investigation regarding rod in coils) were same for all subsidy programs. The Commission visited Hunan Valin to verify the information provided by the exporter. While a detailed verification of the subsidy programs was undertaken for INV 331, the information collected and verified are also relevant to this investigation.

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

In its EQR, Hunan Valin stated that it produces its own billet from the purchased raw materials such as iron ore, coke and coking coal through the operation of blast furnaces for the production of the goods. As noted in the visit report for INV 331, the billet cost to make was verified in detail during the dumping investigation. That visit team noted that the methodology Hunan Valin uses to allocate costs for raw materials of iron ore, coke and coking coal from orders, purchasing and further processing accurately records the actual costs incurred.

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

#### 3.2 Program 2 and 3: Coke and coking coal provided by the Government of China at less than adequate remuneration

In its EQR, Hunan Valin provided a list of all its coke and coking coal purchases for the investigation period. Hunan Valin purchased coking coal both domestically and imported, while all coke purchases were domestic.

The assessment team noted that information provided in relation to Programs 2 and 3 was verified by the visit team. The accuracy of Hunan Valin's coke and coking coal purchases was reconciled to the source documents (invoices and proof of payment) for the selected purchases in accordance with ADN No. 2016/30.

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 assessment team did not calculate the subsidy margin for this program.

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

Hunan Valin purchases electricity from the electricity grid in addition to generating its own electricity using a thermal recovery plant. All purchases were from the one

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Government entity. In its EQR, Hunan Valin provided details and invoices for all purchases of electricity during the investigation period.

The Government of China (GOC) provided a copy of the tariff schedule for Hunan Province in its response to the government questionnaire. Hunan Valin stated that that it was subject to the "Large Industrial - Other" rate.

The assessment team noted that the visit team verified the accuracy of Hunan Valin's electricity purchases by reconciling them to source documents in accordance with ADN No. 2016/30.

Therefore, the assessment team considers that Hunan Valin did not receive a benefit under this program.

### **3.4 Program 5 - Preferential Tax Policies for High and New Technology Enterprises**

In its response to the EQR, Hunan Valin advised that they did not benefit from this program. During the visit, the visit team confirmed this by checking and verifying Hunan Valin's 2011 to 2014 tax returns. The 2014 tax return shows that Hunan Valin paid no tax in this year, due to not having made a profit. Hunan Valin had not yet lodged its 2015 tax return at the time of our visit, however Hunan Valin did provide its financial audited statements, which showed that it similarly did not make a profit in 2015 and therefore no tax would be payable for 2015.

Therefore, the assessment team considers that Hunan Valin did not receive a benefit under this program.

### **3.5 Program 6 - Preferential Tax Policies in the Western Regions**

In its response to the EQR, Hunan Valin confirmed that the company operates entirely in the south eastern region of China and, therefore this program is not applicable to them. The visit team did not find any evidence which suggests otherwise. Therefore, the assessment considers Hunan Valin did not receive a benefit under this program.

### **3.6 Program 7 - Land Use Tax Deduction**

In its response to the EQR, Hunan Valin claimed that it has benefited from this program. During the visit, Hunan Valin explained to the visit team that the information showing the approval of the local tax bureau as provided with the EQ was only applicable to the 2013 calendar year.

Therefore, based on the visit team's findings, the assessment considers Hunan Valin receive a benefit under this program. The amount of the benefit and subsidy margin calculated by the assessment team is at **Confidential Appendix 3**.

### **3.7 Program 8 - Tariff and VAT Exemptions on Imported Materials and Equipment**

In the GOC questionnaire response the GOC states that this program is available for all industries in China.

In its response to the EQR, Hunan Valin stated that it imported equipment from 1 July 2005 to 30 June 2015 for production of rebar and declared receipt of a benefit under this program.

Therefore, based on the visit team's findings, the assessment team considers that Hunan Valin receive a benefit under this program. The amount of the benefit and subsidy margin calculated by the assessment team is at **Confidential Appendix 3**.

### **3.8 Program 9 - VAT refund on comprehensive utilisation of resources**

In its response to the EQR, Hunan Valin claimed receipt of this benefit on a monthly basis since 2013.

In its questionnaire response the GOC stated that this program relates to "building materials produced with waste and used resources". During the visit, Hunan Valin stated that it receives this subsidy program in relation to the electricity it produces using the gas and heat/steam from its steel-making process, i.e. "waste resources".

Based on the visit team's assessment, the assessment team considers that Hunan Valin receive a benefit under this program. The amount of the benefit and subsidy margin calculated by the assessment team is at **Confidential Appendix 3**.

### **3.9 Program 36 – Reducing pollution discharging and environment improvement assessment award**

In its response to the EQR Hunan Valin declared that it received a benefit under this program in 2010 only.

During the visit, the visit team examined Hunan Valin's accounting system and were satisfied that this grant was not paid during the investigation period. Therefore, based on the visit team's findings, the assessment team considers that Hunan Valin did not receive a benefit under this program

### **3.10 Program 41 - Environmental Prize**

In its response to the EQR, Hunan Valin declared that it received a benefit under this program in 2011 only.

During the visit, the team examined Hunan Valin's accounting system and were satisfied that this grant was not paid during the investigation period.



Therefore, based on the visit team's findings, the assessment team considers that Hunan Valin did not receive a benefit under this program.

### **3.11 Programs 43 to 45 – Debt for Equity Swaps, Equity Infusions and Unpaid dividends**

In its response to the EQR, Hunan Valin declared that these programs are not applicable and no benefits have been received.

Hunan Valin provided the Commission with a copy of their 2015 audited accounts. These accounts indicate that Hunan Valin had not been involved in debt for equity swaps or received any infusions of equity from its government-owned shareholders.

In its response to the EQR, Hunan Valin stated that it had not paid any dividends during the period 2005 to 2015. Tax returns, in addition to Hunan Valin's complete Articles of Association, were submitted with the EQR. These documents indicate that Hunan Valin has not made a profit since at least 2011.

During the visit, Hunan Valin submitted an extract of its Articles of Association referencing the distribution of profits. Hunan Valin also provided copies of the minutes of board decisions confirming that there were no dividend distributions.

Therefore, the assessment team considers that Hunan Valin did not receive a benefit under this program.

### **3.12 Program 46 and 177 - Preferential loans and guarantees**

In its supplementary response to the EQR, Hunan Valin provided a full list of all of its loans outstanding at the end of the investigation period in addition to a copy of loan contracts for 23 of these loans. The Commission attempted to reconcile the list of loans to the contracts provided and identified a number of errors and issues that required clarification, particularly the formula used to calculate the number of days during the investigation period for which interest was payable.

The assessment team compared the loan details provided to the audited financial statements for 2014 and 2015 and are satisfied that Hunan Valin has reported all outstanding loans.

In relation to Government ownership of banks, Hunan Valin explained that they are not able to get access to any information on this issue. Due to lack of any information provided by Hunan Valin on this issue, the Commission compared the information provided by all exporters in relation to Government ownership of banks that were also banks used by Hunan Valin and supplemented this information with public record research. For the purpose of completing preliminary calculations, the Commission considered that if a bank's major shareholder was a Government body or an SIE, then it was a public body. Where no information regarding Government interest in the banks was reasonably available, the Commission assumed the bank to be a public body.

Additionally, in the response to the exporter questionnaire, Hunan Valin indicated that most of their loans were required to have a guarantor and therefore we also

considered whether or not the company received any benefit under program 177. While at the visit, the visit team verified the ownership of the guarantor companies and noted that Hunan Valin received a guaranteed from one of its own parent and related companies. This is considered to be within commercial business practices and is therefore not considered to be countervailable, and the assessment teams concluded that Hunan Valin did not receive a benefit under Program 177.

### **3.13 Financial grants alleged in the application**

In its response to the EQR, Hunan Valin identified a number of grant programs, inclusive of the amount received under the program of VAT-refund on comprehensive utilisation of resources that it received since 2010, additional to those listed in the application. During the visit, Hunan Valin explained that the grants they receive are treated either as a subsidy with the full amount of the grant recognised as revenue in the year of receipt, or as a deferred subsidy with the full amount of the grant allocated to revenue on a quarterly basis over a specified number of year

Therefore, based on the visit team's findings, the assessment team considers that Hunan Valin received a benefit from certain grants. The amount of the benefit has been calculated at **Confidential Appendix 3**.

**5 SUBSIDY MARGIN**

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

The weighted average product subsidy margin for rebar exported to Australia by Hunan Valin Xiangtan Iron & Steel Co. Ltd for the investigation period is **25.22 per cent**.

Details of the preliminary subsidy margin calculations are at **Confidential Appendix 3**.

**6 LIST OF APPENDICES**

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