



INVESTIGATION 322

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

SUBSIDY MARGIN CALCULATION REPORT

JIANGSU YONGGANG GROUP 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

PUBLIC RECORD

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2 BACKGROUND

1.1 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 Jiangsu Yonggang Group Co Ltd. (Yonggang) exported rebar to Australia from China during the investigation period.

Yonggang was one of the cooperating exporter's for INV 300. The dumping margin report for Yonggang regarding INV 300 can be found at the Commission's website using the following link www.adcommission.gov.au.

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

Yonggang provided a complete response to the Exporter Questionnaire and relevant attachments within the required 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

Yonggang submitted in its EQR that it produced goods that are like to those exported to Australia. It further 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 Yonggang 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.

4 EXPORT PRICE

4.1 Australian export sales

In its response to the Exporter Questionnaire, Yonggang 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).

There were no rebates, discounts, commissions or credit notes identified in this data. The assessment team has adopted the invoice date as the date of sale.

In its response to the Exporter Questionnaire, Yonggang 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 Yonggang and its customers other than commercial relationship.

4.2 Export price – preliminary assessment

The assessment team considers that:

- Yonggang 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.

In those instances where the goods have been purchased by the importer from the exporter, export price has been calculated using paragraph 269TAB(1)(a) of the *Customs Act 1901* (the Act),² as 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**.

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

5 SUBSIDY PROGRAMS

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

Being a fully integrated company, Yonggang self-produced all billets that was used in the production of the goods. In its response to the exporter questionnaire, Yonggang provided total quantity of billets produced and consumed during the investigation period on a monthly basis.

Having established that Yonggang is a private entity, at this stage the visit team found that Yonggang did not benefited from program 1.

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

In response to the exporter questionnaire Yonggang stated that it did not purchase any coking coal during the investigation period. The Commission sought further clarification from Yonggang regarding the purchase of coking coal. Yonggang provided the Commission with purchases of all domestic coking coal that were either anthracite or bituminous coal which are both thermal coals.

Furthermore Yonggang stated that it does not possess any coke ovens and coking coal cannot be used in the hot metal process.

Having established that Yonggang did not purchase any metallurgical coking coal during the investigation period, the visit team found that Yonggang did not benefited from program 2.

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

Having established that Yonggang is a private entity, the visit team considers that Yonggang benefitted from Program 3 by purchasing coke from SIE's. The amount of the benefit and subsidy margin calculated by the visit team is at **Confidential Appendix 3**.

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

In response to the exporter questionnaire, Yonggang provided transaction by transaction purchase of all electricity during the investigation period. The assessment team compared the average price paid for electricity for each month of the investigation period and found that in every month Yonggang paid a price higher than the benchmark price. The team therefore determined that, Yonggang did not receive a benefit under this program.

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

5.5 Programs 5-9: Preferential tax policies

In response to the exporter questionnaire Yonggang stated that it did not benefit from programs 5-9. From the examination of income tax returns, VAT returns, financial reports, asset register and general ledgers the assessment team did not find any evidence that suggest that Yonggang 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**.

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

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

From our examination of financial reports and other supporting documents provided by Yonggang the assessment team did not find any evidence that suggest that Yonggang 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**.

5.7 Programs 43 - 45: Equity Programs

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

At the assessment not find any evidence that suggest that Yonggang 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**

5.8 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.

In response to exporter questionnaire, Yonggang stated that it did not receive any benefit from the alleged subsidy program number 46. Additionally, in the response to the exporter questionnaire, Yonggang indicated that most of their loans were required to have a guarantor and therefore the assessment team also considered whether or not Yonggang received any benefit under program 177. However, Yonggang only received guarantees from related companies. This is considered to

be within commercial business practices and is therefore not considered to be countervailable, and the Commission concluded that Yonggang did not receive a benefit under Program 177.

During analysis of the information provided by Yonggang, we noted that Yonggang provided two different values for the loan interest rate; the contract loan rate and an adjusted loan rate. However, Yonggang did not provide evidence to support the adjusted loan rate, so the Commission used the contract loan rate.

In relation to Government ownership of banks, Yonggang did not provide an opinion about whether or not banks were government owned. Therefore, using the same methodology as used with other exporters in this investigation, the Commission compared the information provided by the other exporters in relation to Government ownership of banks and supplemented this information with public record research. For the purpose of completing preliminary calculations, the assessment team considered that if a bank's major shareholder was a Government body or an SIE, it was treated as a public body.

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

5.9 Programs 47 - 176: Miscellaneous grants

In response to exporter questionnaire, Yonggang stated that it benefited from alleged program numbers 56, 76 and 83. Yonggang also stated that it benefited from programs other than those alleged in the application. Youngang provided the amount, name and eligibility criteria for each of these additional grants. The Commission numbered these programs as program numbers 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174 and 175.

The assessment team calculated the benefit and subsidy margin for the grant programs (**Confidential Appendix 3 refers**).

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

6 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 Jiangsu Yonggang Group Co Ltd for the investigation period is **0.26 per cent**.

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

7 LIST OF APPENDICES

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