



INVESTIGATION 300

ALLEGED DUMPING OF STEEL REINFORCING BAR

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

DUMPING 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

February 2016

1 BACKGROUND

1.1 Background

On 14 May 2015, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application under subsection 269TB(1) requesting that the Minister for Industry and Science publish a dumping duty notice in respect of steel reinforcing bar (rebar) exported to Australia from the People's Republic of China (China).

OneSteel alleges that the Australian industry has suffered material injury caused by exports of rebar to Australia from China at dumped prices. OneSteel alleged that the industry has been injured through:

- price depression;
- price suppression;
- price undercutting;
- lost sales volume;
- lost market share;
- loss of profits;
- loss of profitability;
- less than full capacity utilisation;
- loss of employment;
- reduction of assets employed in the production of the like goods; and
- reduction of capital investment in the production of the like goods.

Subsequent to receiving further information on 3 June 2015 from OneSteel and having considered the application, the Commissioner decided not to reject the application and initiated an investigation into the alleged dumping of rebar from China on 1 July 2015. Public notification of initiation of the investigation was also made in *The Australian* newspaper on 1 July 2015.

A full description of the goods is available in Anti-Dumping Notices (ADN) No. 2015/82 and 2015/139. The ADNs are available on the Anti-Dumping Commission's (the Commission's) website at www.adcommission.gov.au.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that Hunan Valin Xiangtan Iron & Steel Co. Ltd. (Hunan Valin) exported rebar to Australia from China during the period 1 July 2014 to 30 June 2015 (the investigation period).

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.

1.2 Purpose of this report

The purpose of this report is to make preliminary assessments regarding the:

- export price (Chapter 2 refers);
- normal value (Chapter 3 refers) ; and
- dumping margin (Chapter 4 refers),

using information submitted in Hunan Valin's Exporter Questionnaire response.

2 VERIFICATION

As on-site verification was not conducted, the dumping margin assessment team (referred to as the assessment team) conducted a desktop verification of the data provided by Hunan Valin in its Exporter Questionnaire response to test for relevance and reliability.

2.1 Australian export sales

Hunan Valin provided source documents for a sample of Australian export sale transactions. The source documents included purchase orders, packing lists, commercial invoices, test certificates, bills of lading, credit advices and bank remittances. These documents are at **Confidential Appendix 1**.

The assessment team found that the information in the exports sales listing (3.1 refers) matched the information in the source documents.

2.2 Domestic sales

Hunan Valin provided source documents for a sample of domestic sale transactions. The source documents included purchase orders, commercial invoices, test certificates and bank remittances. These documents are at **Confidential Appendix 2**.

The assessment team found that the information in the domestic sales listing (4.1 refers) matched the information in the source documents.

2.3 Conclusion

Having regard to the desktop verification, the assessment team are satisfied that the information provided in Hunan Valin's response to the Exporter Questionnaire can be relied upon for the purpose of assessing the dumping margin calculation.

3 EXPORT PRICE

3.1 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 Exporter Questionnaire response, Hunan Valin stated that for its Australian export sales of rebar, it is not related to any Australian parties and does not offer discounts, rebates or allowances. The assessment team found no evidence to suggest otherwise.

3.2 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)¹, 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 3**.

¹ References to any section, subsection or paragraph in this report relate to provisions of the Act, unless specifically stated otherwise.

4 NORMAL VALUE

4.1 Domestic sales

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

Having reviewed the documentation provided by Hunan Valin, the assessment team considers that the goods manufactured for domestic consumption have characteristics closely resembling the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1).

Similar to its Australian export sales, Hunan Valin stated in its Exporter Questionnaire response that it does not offer discounts, rebates or allowances for its sales to domestic customers. The assessment team found no evidence to suggest otherwise.

4.1.1 Related party transactions

In its Exporter Questionnaire response, Hunan Valin indicated that it was affiliated with a number of domestic customers to which it sold rebar during the investigation period. The assessment team noted from the domestic sales listing that a significant proportion of domestic sales were made to affiliated companies.

However, in line with the market situation finding, normal values were calculated pursuant to subsection 269TAC(2)(c) based on constructed costs, as opposed to Hunan Valin's domestic sales prices. As such, the issue of related party transaction is irrelevant for the calculation of normal values.

4.2 Model matching

The assessment team applied model matching criteria based on minimum yield strength, form (straight or coil) and diameter.

4.3 Normal value – preliminary assessment

In line with the market situation finding, normal values were calculated pursuant to subsection 269TAC(2)(c) based on constructed costs. The constructed costs included a:

- benchmark steel billet price;
- conversion costs;
- domestic selling, general and administrative (SG&A) expense; and
- rate of profit.

The assessment team replaced Hunan Valin's steel billet costs with a benchmark that reflects a competitive market cost. The assessment team considers that an appropriate benchmark for steel billet costs is the average monthly price paid in the East Asia region for billet imports (at cost and freight terms), less an average profit realised by other exporters at domestic steel billet sales.

The assessment team calculated SG&A costs based on Hunan Valin's weighted average total domestic selling costs of rebar on the assumption that the goods, instead of being exported, were sold domestically.

The assessment team noted that when the domestic weighted average SG&A is added to steel billet cost to make figures, the total exceeds the total CTMS figures in Hunan Valin's spreadsheets yielding negative conversion costs. Hunan Valin later sought to submit new CTMS data with its submission dated 11 January 2016.² However, as it was not possible to verify the newly submitted information, the assessment team did not have regard to the new information. As it was not possible to reliably calculate Hunan Valin's conversion costs from billet to finished product (rebar), as per subsection 43(8) of the Regulations, Hunan Valin's conversion cost was replaced by the weighted average conversion cost of the cooperating exporters for the purposes of Hunan Valin's normal value calculations.

It has been understood that Hunan Valin's CTMS data in its Exporter Questionnaire response did not fairly represent Hunan Valin's real conversion costs and as it has been calculated based on the cost to make and sell data in its Exporter Questionnaire response, Hunan Valin's weighted average profit rate from the sales of like goods in the ordinary course of trade domestic sales was negative, the assessment team calculated a profit rate as per Regulation 45(3)(b) of the *Customs Regulations (International Obligations) 2015*, based on the average profit from domestic sales of other exporters. This calculation used domestic sales that were arm's length and in the ordinary course of trade.

A summary of preliminary normal value calculations is at **Confidential Appendix 4**.

4.3.1 Adjustments to the normal value

In constructing normal values, the assessment team considers that certain adjustments are necessary to ensure fair comparison of normal values with export prices.

To ensure the comparability of normal values to export prices, the Commission considers that following adjustments are required for maintaining price comparability pursuant to subsection 269TAC(9):

| | |
|--|--|
| Export inland handling and other charges | Add actual export inland transport and handling costs |
| Non-refundable value-added tax (VAT) | Add the amount of non-refundable portion of VAT |

Figure 1: adjustments made to ensure comparability of normal values to export prices

In calculating Hunan Valin's export inland handling and other charges, the assessment team had regard to Hunan Valin's submission dated 11 January 2016

² EPR Document no 39

and deducted the part of the inland transportation and handling charges that was accounted in its SG&A from this adjustment amount.

The above adjustments were calculated as weighted averages (using the data in the domestic and export sales listings) and applied to the normal value.

The assessment team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

5 DUMPING MARGIN

Dumping has been assessed by comparing quarterly weighted average export prices (at free on board terms) to corresponding quarterly weighted average normal values for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The weighted average product dumping margin for rebar exported to Australia by Hunan Valin for the investigation period is **11.3 per cent**.

Details of the preliminary dumping margin calculations are at **Confidential Appendix 5**.

6 LIST OF APPENDICES

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|-------------------------|--|
| Confidential Appendix 1 | Source documents for Australian export sales |
| Confidential Appendix 2 | Source documents for domestic sales |
| Confidential Appendix 3 | Export price summary |
| Confidential Appendix 4 | Normal value summary |
| Confidential Appendix 5 | Dumping margin summary |