



INVESTIGATION 355

**INVESTIGATION OF ALLEGED DUMPING AND
SUBSIDISATION OF CERTAIN STEEL SHELVING
UNITS EXPORTED TO AUSTRALIA FROM THE
PEOPLE'S REPUBLIC OF CHINA.**

VISIT REPORT - EXPORTER

Zhongshan Geelong Manufacturing 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**

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1 BACKGROUND

1.1 Investigation Background

On 4 July 2016, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an anti-dumping investigation in respect of certain steel shelving units (steel shelving) exported to Australia from the People's Republic of China (China) in Anti-Dumping Notice (ADN) No. 2016/65. The background relating to initiation of this investigation is contained in Consideration Report No. 355.

Following initiation of the investigation, a search of the Australian Border Force import database indicated that Zhongshan Geelong Manufacturing Co Ltd (Geelong) exported steel shelving to Australia from China during the period 1 April 2015 to 31 March 2016 (the investigation period).

The Anti-Dumping Commission (the Commission) notified Geelong of initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding steel shelving.

1.2 Company Background

Geelong provided the Commission with the organisational structure for Geelong and the relationship between Geelong and its related trading entities in its exporter questionnaire response. The verification team visited Geelong's manufacturing facility located in Zhongshan, China as well as its parent company Geelong Holdings Limited (Geelong Holdings) in Hong Kong, SAR China. The records of other related companies were accessible prior to the verification and also at Geelong Holdings' offices.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period Geelong exported steel shelving units ('the goods') to Australia. The goods were steel shelving units produced in a variety of different sizes and storage capacities, each of which were unassembled and exported in kits to Australia.

Geelong has made submissions to the investigation relating to its views on the goods under consideration and the goods exempt from the goods description. Geelong expressed their view during the verification visit that all the goods they exported to Australia fitted the exemption of 'slotted angle' and that many of the goods may also meet the description of 'industrial'.

Despite this view, Geelong provided the Commission in its exporter questionnaire response details of all steel shelving units exported to Australia which included goods that Geelong considers to be exempt from the goods description. The verification team collected bill of materials and specification details, including load limits for all models exported to Australia.

The preliminary dumping margin finding in this report includes all steel shelving units exported to Australia by Geelong. As the clarity of goods excluded is subject to the Commission's preliminary findings on these issues in the Statement of Essential Facts taking into consideration submissions made to the Commission by all interested parties regarding these issues, the verification team has not made a finding in relation to Geelong's claims on the goods description and the goods that may be exempt from the goods description.

The preliminary dumping margin however considers that Geelong's products are not slotted angle shelving and thus all products with that description have been included in the preliminary calculation. Industrial shelving exceeding a load bearing capacity of 200kg has been also excluded from the calculations. The verification team found that this affected multiple models of steel shelving exported to Australia by Geelong.

2.2 Like goods sold on the domestic market

During the investigation period Geelong did not sell like goods on the domestic market. The verification team examined details of the range of products Geelong had sold in the domestic market during the investigation period and were satisfied that none of these products were like goods.

2.3 Like goods – preliminary assessment

The verification team considers that Geelong did not produce any 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

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

2.4 Same general category of goods

As the verification team considered that Geelong did not produce any like goods, the team considered if there were any goods that could be considered 'same general category' goods for the purpose of profit calculations for the normal value. This term in Regulation 45(3)(a) is not defined. The Commission will decide on a case by case basis what goods will be included in this category. For example, the Commission may decide that the best approximation of profit on a domestic sale for the like goods in question is a narrower, rather than a broader, category. A narrower category may be preferred if it is determined this most meets the policy intent for establishing normal value based on the constructed method. In this situation the Regulation sets out three methods for profit determination.

- by identifying the actual amounts realised by the exporter or producer from the sale of the same general category of goods in the domestic market or the country of export - Regulation 45(3)(a); or
- by identifying the weighted average of the actual amount realised by other exporters or producer from the sale of like goods in the domestic market of the country of export - Regulation 45(3)(b); or
- subject to Regulation 45(4), by using any other reasonable method and having regard to all relevant information- Regulation 45(3)(c).

Any of these three alternatives can be used as there is no hierarchy. In practice, the Commission normally seeks profit information using the method described for Regulation 45(3)(a) because it relates to the exporter being investigated and therefore is more likely to yield the required data.

The verification noted that there was a wide variety of goods sold on the domestic market and requested that Geelong group these products into product categories to assist in determining which products were a similar category of goods. Geelong also provided detailed cost to make and sell data for each of the products sold domestically to enable the team to calculate a profit for each model sold domestically.

The verification team considered office storage units were the same general category of goods to like goods and determined profit in accordance with Regulation 45(3)(a) based on the sales of these goods on the domestic market. The verification team calculated the profit achieved on these units and noted that they were sold at a loss in the domestic market. As a result of these calculations the verification team has calculated a profit of zero per cent.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Geelong's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Geelong's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were two amendments to the Australian sales listing relating to the trade promotion and cargo certification fees and inland transport costs. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 The exporter

For all Australian export sales during the review period, the verification team considers Geelong to be the exporter of the goods.²

3.4 The importer

In relation to the goods exported to Australia by Geelong, a related entity is involved in the transaction and is an intermediary sales route for all of Geelong's exports to Australia.

The verification team reviewed the agreement between Geelong and its related entity and considers that the Australian customers listed in Geelong's Australian sales listing were the beneficial owner of the goods at the time of importation, and therefore the 'importer' of the goods.

3.5 Related party customers

The verification team did not identify any information that might suggest the Australian importers were related to Geelong or any of Geelong's related entities, based on the

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

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company's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms length

In respect of Australian sales of the goods made by Geelong to importers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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.
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all export sales to Australia made by Geelong during the review period were arms length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

³ Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Geelong's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. During this process, there was one amendment made to the CTMS data relating to unrealised currency gain and losses. The verification team did not identify any further issues.

4.1.1 Consolidation of Financial Statements

The verification team noted that Geelong had compiled the CTMS data from management reports at the consolidated company level (Geelong Holdings). The verification team examined the unconsolidated financial statements for Geelong and other related companies and noted that cost elements relating to the cost of production were only reported in Geelong's financial statement, while cost elements relating to cost of sales were reported in the financial statements of the other related companies. To ensure that the full CTMS is captured, the verification team considered the use of the consolidated management reports appropriate.

4.1.2 Currency Gain and Losses

The company identified a calculation error relating to unrealised currency gain and losses that resulted from transposing an incorrect formula when compiling the CTMS data. The error was corrected by the company and the verification team considers that the amended data accurately reflects Geelong's CTMS. The result of this amendment was immaterial to Geelong's total CTMS.

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 Geelong's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified one issue during this process relating to the allocation of raw material costs. The verification team did not identify any further issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Raw Material Costs Allocation

The verification team identified that the raw material inputs lines in the CTMS data were incorrectly labelled as only including steel inputs, whereas this line item included all raw materials used in production. Geelong submitted revised CTMS data that categorised the raw material costs into two categories of steel and a third category for all other raw material items. The net total CTMS did not change, however without this amendment any changes in steel input costs would have not been possible to accurately calculate. The

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verification team tested the new allocation provided and was satisfied that the revised data accurately reflected the raw material costs.

4.3 Cost to make and sell – summary

Having verified Geelong's CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

Geelong's revised and amended CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Geelong's domestic sales by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team notes (as discussed in section 2.2) that none of the domestic sales made by Geelong were of like goods. The verification team verified the completeness and relevance of the domestic sales of non like goods for the purpose of determining profit under Regulation 45(3)(a).

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 Geelong's domestic sales (noting these were not like goods, as discussed in section 2.2) by reconciling it to source documents in accordance with ADN No. 2016/30. The verification team did not identify any issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.3 Related party customers

The verification team did not identify any domestic customers that might be related to Geelong, based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

5.4 Arms length

5.4.1 Related Party Customers

In respect of domestic sales of same general category goods made by Geelong the verification team found no evidence that there was any consideration payable for, or in respect of, the goods other than its price. The verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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.

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).

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As the verification team were satisfied that there were no like goods sold in the domestic market it has not conducted an ordinary course of trade test. There is no requirement under Regulation 45(3)(a) to conduct an ordinary course of trade test for the same general category of goods and thus the verification team has not conducted this test for the domestic sales of the same general category of goods.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

As there were no like goods sold in the domestic market, normal values cannot be ascertained under subsection 269TAC(1). There is no requirement under Regulation 45(3)(a) for there to be sufficient sales of the same general category of goods for the purpose of determining profit under this regulation. The verification team has thus not considered the suitability of the same general category of goods.

5.7 Domestic sales – summary

As there were no like goods sold in the domestic market, normal values cannot be ascertained under subsection 269TAC(1). The verification team considers that the normal value can be assessed under subsection 269TAC(2)(c).

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

6.1 Rebates

The verification team noted that rebates were made to Australian customers during the investigation period. The export price of goods includes all rebates made to Australian customers. The verification team therefore considers that an adjustment to the normal value for rebates is not required as the export prices ascertained have already considered these rebates.

6.2 Trader Selling Costs

The verification team noted that two related parties conducted various selling functions for Geelong for goods exported to Australia and other countries. An upwards adjustment to the normal value would typically be warranted for these costs. However the verification team notes that all the costs for both these related entities were included in the SG&A expenses that were used in constructing the normal value, weighted by sales volume. The verification team considers that an adjustment for the traders' selling costs is not required as these costs are accurately captured in the CTMS data used as the basis of the normal value.

6.3 Commission

The verification team note that commission is paid to an unrelated party on export sales to Australia. The verification team verified the rate of commission paid and applied this as an upwards adjustment to the normal value. The verification team noted that commissions were included in the selling expenses of the CTMS data supplied by Geelong. To ensure commissions were not double counted, the verification team removed the commission expenses from the CTMS and applied these as an adjustment as they only related to export sales.

6.4 Credit

The verification team noted that export sales included various credit terms. The verification team have made an adjustment for credit based on the credit terms for each export to Australia and the upper average loan interest rate Geelong had incurred during the investigation period. This resulted in an upwards adjustment to the normal value.

6.5 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

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Adjustment Type	Deduction/addition
Export Commission	Add the cost of export commissions
Export Credit	Add the cost of export credit

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 1**.

7 NORMAL VALUE

As there were no like goods sold in the domestic market, normal values cannot be ascertained under subsection 269TAC(1). The verification team considers that the normal value can be assessed under subsection 269TAC(2)(c).

Therefore, the verification team considers that the 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 SG&A costs associated with such a sale and the profit on that sale.

As required by subsections 269TAC(5A) and 269TAC(5B), the costs of production or manufacture, the SG&A costs and profit must be established in accordance with Regulations 43, 44 and 45 of the Regulations, respectively.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin has been assessed by comparing the quarterly weighted average export prices to the corresponding quarterly weighted average normal values for the investigation period, in accordance with subsection 269TACB(2)(a).

Normal values were constructed under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulations.

Subsection 43(2) of the Regulations requires that, if an exporter keeps records relating to the like goods which are in accordance with generally accepted accounting principles, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

The Commission is currently assessing whether Chinese exporters' records reasonably reflect competitive market costs. At the current stage of the investigation the Commission has not taken a position on this matter. The normal values calculated in this report are therefore based on the application of verified cost to make and sell information.

On this basis, the preliminary dumping margin in respect of the goods exported to Australia by Zhongshan Geelong Manufacturing Co for the investigation period is **-9.4%**.

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

9 SUBSIDIES

9.1 Preferential Tax Programs

The verification team noted that Geelong provided tax returns from 2011 to the recent tax return (2015) as part of the exporter questionnaire response. The team noted that the last tax benefit obtained by Geelong was in 2011, since which time Geelong has not received any tax benefits.

9.2 Grants

The verification team verified the completeness of the grants list declared in the exporter questionnaire by reconciling the amounts to the non-operating income ledger over the investigation period. The team was satisfied that all grants obtained by Geelong were accurately captured in the exporter questionnaire response.

9.3 Provision of inputs at less than adequate remuneration

The verification team verified that Geelong uses various types of steel in the manufacture of steel shelving units. The verification team verified that the purchase prices of raw materials were accurately captured as part of the cost to make and sell verification process.

The verification team also verified Geelong's electricity consumption records and payments to their electricity supplier. The verification team found no evidence of any discounts received by Geelong for the provision of electricity.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments