CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

TERMINATION OF PART OF INVESTIGATIONS

TERMINATION REPORT NUMBER 193(i)

SUBSIDISATION OF ZINC COATED (GALVANISED) STEEL AND ALUMINIUM ZINC COATED STEEL EXPORTED FROM THE PEOPLE’S REPUBLIC OF CHINA

17 June 2013
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2 SUMMARY AND FINDINGS

2.1 Introduction

Investigations 193A and 193B are in response to separate applications lodged by BlueScope Steel Limited (BlueScope) in relation to the allegation that subsidised zinc coated (galvanised) steel and aluminium zinc coated steel exported to Australia from the People’s Republic of China (China), caused material injury to the Australian industry producing like goods.

This Termination Report No. 193(i) (TER 193(i)) sets out the facts on which the Delegate of the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (ACBPS) based the decisions to terminate these investigations so far as they relate to certain exporters.

2.2 Findings

In accordance with s.269TDA (2) of the Act, the CEO must terminate if countervailing subsidisation is negligible. The Delegate of the CEO is satisfied that in relation to galvanised steel:

- countervailable subsidies have been received in respect of some or all of the goods exported by Angang Steel Company Limited (ANSTEEL) during the investigation period, but it never exceeded the negligible level of countervailable subsidy; and
- countervailable subsidies have been received in respect of some or all of the goods exported by ANSC TKS Galvanising Co., Ltd (TAGAL) during the investigation period but it never exceeded the negligible level of countervailable subsidy.

The Delegate of the CEO is also satisfied that in relation to aluminium zinc coated steel:

- countervailable subsidies have been received in respect of some or all of the goods exported by ANSTEEL during the investigation period but it never exceeded the negligible level of countervailable subsidy.

Therefore, the Delegate of the CEO has decided to terminate, in accordance with section (s) 269TDA(2) of the Customs Act 1901 (the Act), the following parts of the investigations:

- the galvanised steel investigation so far as it relates to ANSTEEL and TAGAL; and
- the aluminium zinc coated steel investigation so far as it relates to ANSTEEL.

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1 Refer to the full description of the goods in section 4 of this report.
2 On which the Delegate’s termination decision was based.
3 The terms "section", "sub-section" and "s." are used interchangeably in this report.
4 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.
As a result of these findings, on 17 June 2013, the Delegate of the CEO terminated those parts of the investigations.

A notice regarding the termination of these investigations was published in The Australian newspaper on 17 June 2013. ACDN 2013/50 also relates to the termination.

2.3 Application of law to facts

2.3.1. Authority to make decision

Division 2 of Part XVB of the Act sets out, among other matters, the procedures to be followed and the matters to be considered by the CEO in conducting investigations in relation to the goods covered by an application.

The CEO’s powers under this Division have been delegated to certain officers of ACBPS.

2.3.2. Application

On 18 October 2012, applications were lodged on behalf of BlueScope requesting that the Minister for Home Affairs publish countervailing duty notices in respect of:

- galvanised steel exported to Australia from China; and
- aluminium zinc coated steel exported to Australia from China.

On 2 November 2012, additional information and data was received in respect of the applications. As a result, ACBPS restarted the 20 day period for considering the applications.

The CEO was satisfied that the application was made in the prescribed manner by a person entitled to make the application.

2.3.3. Initiation of investigation

On 26 November 2012, following consideration of the applications, the CEO decided not to reject the applications and ACBPS initiated separate investigations. Public notification of initiation of the investigations was made in The Australian newspaper on 26 November 2012.

2.3.4. Statement of Essential Facts

The statement of essential facts (SEF) for the investigations (SEF 193) was placed on the public record on 15 May 2013. In formulating the SEF, the CEO had regard to the application concerned, any submissions concerning publication of the notice that were received by ACBPS within 40 days after the date of initiation of the investigation and any other matters considered relevant.

The terms “the Delegate of the CEO” and “the CEO” are used interchangeably in this report.
PUBLIC RECORD

SEF 193 should be read in conjunction with this report.

2.3.5. Submissions to SEF 193

ACBPS received six submissions in response to SEF193 from the following interested parties:

- China Iron and Steel Association (CISA);
- BlueScope;
- GM Holden Limited;
- Yieh Phui (China) Technomaterial Co., Ltd;
- Union Steel China Co., Ltd; and
- The Government of China.

Public record version of these submissions can be found on the ACBPS website.
3 BACKGROUND

3.1 Introduction

On 18 October 2012, BlueScope lodged applications for countervailing duties in respect of galvanised steel and aluminium zinc coated steel exported from China. BlueScope alleged that the Australian industry has suffered material injury caused by the cumulating effects of galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan at dumped prices and from China at subsidised prices.

On 2 November 2012 additional information and data was received in respect of the applications. As a result, ACBPS restarted the 20 day period for considering the applications.

On 26 November 2012, following consideration of the applications, the CEO decided not to reject the applications and ACBPS initiated separate investigations. Public notification of initiation of the investigations was made in The Australian newspaper on 26 November 2012. Australian Customs Dumping Notice (ACDN) No. 2012/56 provides further details of the investigations and is available on ACBPS’s website at www.customs.gov.au.

In respect of both investigations:

- the investigation period for the purpose of assessing benefits received under the subsidy programs is 1 July 2011 to 30 June 2012; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from 1 July 2007.

3.2 Preliminary Affirmative Determination

The CEO, after having regard to the application and submissions, was satisfied that there were sufficient grounds for the publication of a countervailing duty notice in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China by all exporters other than ANSTEEL and TAGAL and made preliminary affirmative determinations (PADs) to that effect on 15 May 2013. PAD Report No. 193 contains details of the decision and is available on the public record.

Securities, under section 42 of the Act, were not taken at that time.

3.3 Statement of Essential Facts

The CEO must, within 110 days after the initiation of an investigation, or such longer period as the Minister allows, place on the public record a SEF on which the CEO proposes to base the recommendations in relation to the application.

The initiation notice advised that the SEFs for the investigations would be placed on the public record by 16 March 2013, however, the Delegate of the CEO was satisfied that the prescribed 110 days to place the SEFs on the
public record for the investigations was likely to be insufficient and requested that the Minister extend the publication timeframes.

The Minister under s. 269ZHI of the Act extended the deadline for the publication of the SEFs for the dumping investigations to 15 May 2013. ACDN 2013/22 was issued on 14 March 2013 notifying the Minister’s decision.

The SEF for the investigations (SEF 193) was placed on the Public Record on 15 May 2013. In formulating the SEF, the CEO had regard to the applications concerned, any submissions concerning publication of the notice that were received by ACBPS within 40 days after the date of initiation of the investigations and any other matters considered relevant.

SEF 193 contained preliminary findings that the subsidy margins for goods exported by ANSTEEL and TAGAL during the investigation period were not more than 2% (i.e. negligible).

SEF 193 should be read in conjunction with this report.

3.4 Relevant Legislation

Sub-section 269TDA(2) of the Act provides:

If:
(a) application is made for a countervailing duty notice; and
(b) in an investigation, for the purposes of the application, of an exporter to Australia of goods the subject of the application, the CEO is satisfied that:

(i) no countervailable subsidy has been received in respect of any of those goods; or
(ii) a countervailable subsidy has been received in respect of some or all of those goods but it never, at any time after the start of the investigation period, exceeded the negligible level of countervailble subsidy under subsection (16);

the CEO must terminate the investigation so far as it relates to the exporter.

Sub-section 269TDA(16) of the Act provides:

For the purpose of this section, a countervailable subsidy received in respect of goods exported to Australia is negligible if:

(a) the country of export is not a developing country and the subsidy when expressed as a percentage of the export price of the goods, is less than 1%; or

(b) the country of export is a developing country but not a special developing country and the subsidy, when expressed as a percentage of the export price of the goods, is not more than 2%; or
PUBLIC RECORD

(c) the country of export is a special developing country and the subsidy, when expressed as a percentage of the export price of the goods, is not more than 3%.
4 THE GOODS UNDER CONSIDERATION

4.1 Goods description

4.1.1. Galvanised steel

The imported goods the subject of the galvanised steel application are described as:

“flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc”.

Galvanised steel of any width is included.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). Common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

The application stated that trade and other names often used to describe galvanised steel include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

Product Treatment

The galvanised steel application covers galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

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6 Galvanised Steel Application, page 10.
PUBLIC RECORD

Goods excluded from investigation scope

Painted galvanised steel, pre-painted galvanised steel and electro-galvanised plate steel are not covered by the application and subsequent investigation.

4.1.2. Aluminium zinc coated steel

The imported goods the subject of the aluminium zinc coated steel application are described as:

“flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, not painted whether or not including resin coating”.

The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m² with the prefix being AZ (Aluminium Zinc). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

Product treatment

The aluminium zinc coated steel application covers aluminium zinc coated steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), resin coated or not resin coated (often referred to as Anti Finger Print (AFP) or not AFP), oiled or not oiled, skin passed or not skin passed.

Goods excluded from investigation scope

Painted aluminium zinc coated steel and pre-painted aluminium zinc coated steel are not covered by the application and subsequent investigation.

4.2 Product standards

The applications stated that:

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7 Aluminium Zinc Coated Steel Application, page 10.
“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”.

4.2.1. Australia

The Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

4.2.2. International

There are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

### Galvanised steel

<table>
<thead>
<tr>
<th>International Standards</th>
<th>Product Grade Names</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General and Commercial Grades</strong></td>
<td></td>
</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G1, G2</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>CS type A, B and C</td>
</tr>
<tr>
<td>EN10346</td>
<td>DX51D, DX52D</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGCC, SGHC</td>
</tr>
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<td><strong>Forming, Pressing &amp; Drawing Grades</strong></td>
<td></td>
</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G3</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>FS, DS type A and B</td>
</tr>
<tr>
<td>EN10346</td>
<td>DX53D, DX54D</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGCD, SGCDD</td>
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<tr>
<td><strong>Structural Grades</strong></td>
<td></td>
</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G250, G300, G350, G450, G500, G550</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)</td>
</tr>
<tr>
<td>EN10346</td>
<td>S220GD, S250GD, S280GD, S320GD, S350GD, S550GD</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGC340, SGC400, SGC440, SGC490, SGC570, SGH340, SGH400, SGH440, SGH490, SGH570</td>
</tr>
</tbody>
</table>

*Galvanised Steel Application, page 11.*
### Aluminium zinc coated steel

<table>
<thead>
<tr>
<th>International Standards</th>
<th>Product Grades</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General and Commercial Grades</strong></td>
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</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G1, G2</td>
</tr>
<tr>
<td>ASTM A792</td>
<td>CS, type A, B and C</td>
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<tr>
<td>EN10346</td>
<td>DX51D, DX52D</td>
</tr>
<tr>
<td>JIS 3321</td>
<td>SGLCC</td>
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<tr>
<td><strong>Forming, Pressing &amp; Drawing Grades</strong></td>
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<tr>
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<td>EN10346</td>
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<td>JIS 3321</td>
<td>SGLCD, SGLCDD</td>
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<td><strong>Structural Grades</strong></td>
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<tr>
<td>AS/NZS 1397</td>
<td>G250, G300, G350, G450, G500, G550</td>
</tr>
<tr>
<td>ASTM A792</td>
<td>33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)</td>
</tr>
<tr>
<td>EN10346</td>
<td>S220GD, S250GD, S280GD, S320GD, S350GD, S550GD</td>
</tr>
<tr>
<td>JIS 3321</td>
<td>SGLC400, SGLC440, SGLC490, SGLC570</td>
</tr>
</tbody>
</table>

Figure 2: International Standards for aluminium zinc steel

### 4.3 Tariff classification

#### 4.3.1. Galvanised steel

The application stated that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act).

The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free.

#### 4.3.2. Aluminium zinc coated steel

Aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free.

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9 Aluminium Zinc Coated Steel Application, page 11.
### 5 COUNTERVAILING INVESTIGATION

#### 5.1 Preliminary countervailing findings

##### 5.1.1. Countervailable programs

In SEF193, ACBPS preliminarily determined that countervailable subsidies have been received in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China, under the following subsidy programs:

<table>
<thead>
<tr>
<th>No.</th>
<th>Program Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hot rolled steel provided by government at less than adequate remuneration</td>
</tr>
<tr>
<td>2</td>
<td>Coking coal provided by government at less than adequate remuneration</td>
</tr>
<tr>
<td>3</td>
<td>Coke provided by government at less than adequate remuneration</td>
</tr>
<tr>
<td>4</td>
<td>Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones</td>
</tr>
<tr>
<td>5</td>
<td>Preferential Tax Policies for Foreign Invested Enterprises—Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years</td>
</tr>
<tr>
<td>6</td>
<td>Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)</td>
</tr>
<tr>
<td>7</td>
<td>Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai</td>
</tr>
<tr>
<td>8</td>
<td>Preferential Tax Policies in the Western Regions</td>
</tr>
<tr>
<td>9</td>
<td>Land Use Tax Deduction</td>
</tr>
<tr>
<td>10</td>
<td>Preferential Tax Policies for High and New Technology Enterprises</td>
</tr>
<tr>
<td>11</td>
<td>Tariff and value-added tax (VAT) Exemptions on Imported Materials and Equipments</td>
</tr>
<tr>
<td>12</td>
<td>One-time Awards to Enterprises Whose Products Qualify for ‘Well-Known Trademarks of China’ and ‘Famous Brands of China’</td>
</tr>
<tr>
<td>13</td>
<td>Matching Funds for International Market Development for Small and Medium Enterprises</td>
</tr>
<tr>
<td>14</td>
<td>Superstar Enterprise Grant</td>
</tr>
<tr>
<td>15</td>
<td>Research &amp; Development (R&amp;D) Assistance Grant</td>
</tr>
<tr>
<td>16</td>
<td>Patent Award of Guangdong Province</td>
</tr>
<tr>
<td>17</td>
<td>Innovative Experimental Enterprise Grant</td>
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<tr>
<td>18</td>
<td>Special Support Fund for Non State-Owned Enterprises</td>
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<tr>
<td>19</td>
<td>Venture Investment Fund of Hi-Tech Industry</td>
</tr>
<tr>
<td>20</td>
<td>Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment.</td>
</tr>
<tr>
<td>21</td>
<td>Grant for key enterprises in equipment manufacturing industry of Zhongchang</td>
</tr>
<tr>
<td>22</td>
<td>Water Conservancy Fund Deduction</td>
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<tr>
<td>23</td>
<td>Wuxing District Freight Assistance</td>
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<tr>
<td>24</td>
<td>Huzhou City Public Listing Grant</td>
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<tr>
<td>25</td>
<td>Huzhou City Quality Award</td>
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</tbody>
</table>
5.1.2. SEF 193 Findings

SEF193 made preliminary findings that ANSTEEL and TAGAL received financial contribution that conferred a benefit under the following countervailable subsidy programs:

**ANSTEEL**
- Program 2 – Coking coal provided by government at less than adequate remuneration;
- Program 30 - Capital injections;
- Program 31 - Environment protection grant; and
- Program 33 - Independent Innovation and High-Tech Industrialisation Program.

**TAGAL**
- Program 5 - Preferential Tax Policies for Foreign Invested Enterprises - Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years;
- Program 32 - High and New Technology Enterprise Grant;
- Program 34 - VAT refund on domestic sales by local tax authority; and
- Program 36 - Jinzhou District Research and Development Assistance Program

5.1.3. Exporter preliminary findings

SEF193 preliminarily found that, during the investigation period;

- galvanised steel exported to Australia from China during the investigation period by ANSTEEL and TAGAL was subsidised, but the subsidy margin is negligible;
- aluminium zinc coated steel exported to Australia from China during the investigation period by ANSTEEL was subsidised, but the subsidy margin is negligible.
5.2 Submissions following the publication of SEF 193

The details of the submissions to SEF193 that may relate to the determination of subsidy margins for ANSTEEL and TAGAL are discussed below.

None of the submissions specifically disagreed with ACBPS’s preliminary findings that the subsidy margins for ANSTEEL’s exports of galvanised steel and aluminium zinc coated steel, and TAGAL’s exports of galvanised steel, were negligible.

**HRC at less than adequate remuneration**

ACBPS in SEF 193 determined that adequate remuneration for HRC costs in China can be established by reference to the weighted average domestic HRC price paid by cooperating exporters of galvanised steel and aluminium zinc coated steel from Korea\textsuperscript{10} and Taiwan\textsuperscript{11}, at comparable terms of trade and conditions of purchase to those observed in China.

BlueScope submitted that whilst it is supportive of ACBPS nominated benchmark methodology, it considered that the proposed benchmark in SEF 193 is not a publically available price that can be readily referred to in future review and/or duty assessment investigations.

BlueScope suggested that the appropriate benchmark methodology is the Japanese domestic HRC price, FOT truck as published by SBB.

ACBPS acknowledges that SBB is a reliable source of information pertaining to steel prices; however in the present case ACBPS considers that verified data pertaining to actual prices paid for HRC during the investigation period is appropriate for use as a benchmark.

**Coking coal at less than adequate remuneration**

ACBPS in SEF 193 established that adequate remuneration for coking coal costs in China can be established by reference to the Chinese export price for coking coal (exclusive of export tax) based on the data provided by the GOC.

BlueScope in its submission stated that it does not have access to the Chinese export prices for coking coal. BlueScope further stated that it is unable to assess whether the prices selected are reasonable for the purpose of assessing weather coking coal has been sold at less than adequate remuneration in China.

BlueScope stated that it preferred a transparent benchmark (e.g. SBB published prices for coking coal) be used for regular references and for review and duty assessment purposes in future.

\textsuperscript{10} Dongbu Steel and Union Steel.

\textsuperscript{11} Chung Hung Steel, Yieh Phui Enterprise and Sheng Yu Steel.
ACBPS considered a range of options to determine adequate remuneration (appendix 3 of SEF 193 refers). In the present case ACBPS considers the most appropriate basis for establishing adequate remuneration is using the Chinese export prices of coking coal. While ACBPS acknowledges the difficulties this may present to interested parties, whether a price is public or not should not be the over-riding factor in the determination of what is adequate remuneration. The key factor is whether the price is reflective of adequate remuneration in the relevant domestic market.

5.2.1. ACBPS Findings

Having regard to all relevant information, ACBPS has found that in relation to galvanised steel:

- the goods exported by ANSTEEL were in receipt of countervailable subsidies and the subsidy margin is 1.4%; and
- the goods exported by TAGAL were in receipt of countervailable subsidies and the subsidy margin is 1.7%.

ACBPS also found that in relation to aluminium zinc coated steel:

- the goods exported by ANSTEEL were in receipt of countervailable subsidies and the subsidy margin is 1.2%.

The calculation of ANSTEEL’s and TAGAL’s subsidy margins are contained in Confidential Attachments 1 and 2.

5.3 Conclusion

Under s.269TDA(2) of the Act, if the CEO is satisfied that the level of subsidisation is negligible in relation to a particular exporter, the CEO must terminate the investigation so far as it relates to that exporter.

Section 269TDA(16) sets out the negligible level of countervailable subsidisation for goods exported from China as 2%.

Therefore, the CEO must terminate the countervailing investigations so far as they relate to:

- galvanised steel exported by ANSTEEL and TAGAL from China; and
- aluminium zinc coated steel exported by ANSTEEL from China.
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<th>6 ATTACHMENTS</th>
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<td>Confidential Attachment 2</td>
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<tr>
<td>Confidential Attachment 2 Galv -</td>
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<td>subsidy benefit calculations</td>
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