



INVESTIGATION 370

**ALLEGED DUMPING OF
ZINC COATED (GALVANISED) STEEL
EXPORTED FROM MALAYSIA,
THE REPUBLIC OF INDIA (INDIA) AND
THE SOCIALIST REPUBLIC OF VIETNAM
(VIETNAM)**

AND

**ALLEGED SUBSIDISATION OF GALVANISED
STEEL EXPORTED FROM INDIA AND VIETNAM**

VISIT REPORT - EXPORTER

CSC STEEL SDN BHD (CSCM)

**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

Public notification of the initiation of this investigation was made on 7 October 2016 in Anti-Dumping Notice (ADN) No. 2016/105¹. The background relating to the initiation of this investigation is contained in Consideration Report 370².

The Anti-Dumping Commission (the Commission) notified CSC Steel Sdn. Bhd (CSCM) of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire. CSCM had been identified as an exporter in the Australian Border Force (ABF) import database.

CSCM submitted the completed exporter questionnaire response (REQ) and relevant attachments on 16 November 2016.

¹ Electronic Public Record (EPR) 370/001 refers.

² EPR 370/002 refers.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period CSCM exported galvanised steel to Australia with various base metal thickness and coating mass.

2.2 Like goods sold on the domestic market

During the investigation period the galvanized coil was sold to domestic customers in Malaysia with various base metal thickness and coating mass.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are produced at the same facilities, with similar raw material inputs and the same manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Model matching

For the purpose of model matching, the verification team used the following criteria:

- Coating Mass
- Thickness

2.4 Like goods – preliminary assessment

The verification team considers that galvanised steel produced by CSCM 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* (the Act).³

³ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

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 CSCM'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 CSCM's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. Prior to the verification, there were four amendments to two Australian sales transactions, pertaining to an error in a calculation for the allocation of packing, transport, handling and other.

The verification team did not identify any further issues during the verification of the Australian sales to source documents.

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

3.2.1 Packaging, transport, handling and costs

CSCM advised that in preparing for the verification, discovered that it had made some formula errors to the allocation of packaging, transport, handling and other costs for two transactions in the export sales listing. The verification reviewed the formula and is satisfied that this is an isolated error.

3.3 The exporter

For all Australian export sales during the investigation period, the verification team considers CSCM to be the exporter of the goods.⁴

3.4 The importer

In relation to galvanised steel exported to Australia by CSCM, the verification team considers that the customer listed in the Australian sales listing was not the beneficial owner of the goods at the time of importation, but was in fact the trader. We examined the

⁴ 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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trading relationships between parties. For the purpose of this assessment, the verification team has determined that the Australian customer is the 'importer' of the goods.

3.5 Related party customers

The visit team did not identify any information that might suggest its customer or the Australian importer had a relationship to CSCM other than arm's length - based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arm's length

In respect of Australian sales of galvanised steel made by CSCM to its customer or Australian importer 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; or
- 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.⁵

The verification team therefore considers that all export sales to Australia made by CSCM during the investigation period were arm's length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the revised Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the verification team determined the export price 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**.

⁵ 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 CSCM's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues.

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 CSCM's CTMS spreadsheet 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**.

4.3 Related party purchases

The verification team identified the related party suppliers of raw materials.

The verification team compared the purchase price of these raw materials from related suppliers with unrelated suppliers and is satisfied that the purchase price from related entities is commensurate with the prices paid to unrelated suppliers for those raw materials.

4.4 Cost to make and sell – summary

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

CSCM's 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 CSCM's domestic sales listing by reconciling it to audited financial statements 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**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of CSCM's sales listing by matching the details to selected 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

We identified related parties for domestic sales. We examined the shareholders agreement.

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

5.4 Arm's length

In respect of domestic sales of galvanised steel made by CSCM to its related customer 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.

We compared the invoice price by CSCM to its related customers to the non-related customers and found no unjustified variance other than by way of normal commercial negotiation. The verification team therefore considers that all domestic sales made by CSCM to its related customers during the investigation period were arms-length transactions.

In respect of domestic sales of galvanised steel made by CSCM to unrelated customers 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; or
- 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.

The verification team therefore considers that all domestic sales made by CSCM to unrelated customers during the investigation period were arm's length transactions.

5.5 Ordinary course of trade

Section 269TAAAD 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).

The verification team compared the revenue (i.e. net sales value) for each domestic sale to the corresponding quarterly domestic CTMS to test whether those sales were profitable. Costs had been provided monthly and a quarterly cost was calculated from that information.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

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. The verification team found there was a sufficient domestic sales volume made in OCOT for a number of identical models exported to Australia during the investigation period. For those models where there were insufficient domestic sales made in OCOT, the verification team considered using a surrogate model, however, any other models with sufficient sales required significant specification adjustments for multiple specification differences including coating mass and width. As such, the verification team constructed a normal value under section 269TAC(2)(c) using the cost to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

The profit has been calculated by comparing the price of domestic sales of like goods with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT⁶.

5.7 Domestic sales – summary

The verification team is satisfied that the revised domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) for models that were found to have sufficient sales in the OCOT.

The domestic sales listing is at **Confidential Appendix 3**.

⁶ Section 45(2) of the *Customs (International Obligations) Regulation 2015*

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) and 269TAC(9).

6.1 Credit terms

The verification team considers that a downward adjustment to the normal value for domestic credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the number of credit days listed for each domestic transaction and the relevant interest rate in the investigation period.

The verification team also considers that an upward adjustment for export credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the number of credit days listed on the invoice for each Australian transaction and the interest paid.

6.2 Freight

The verification team considers that a downward adjustment to the normal value for domestic inland transport expenses is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the inland transport costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export inland transport expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for those expenses over the investigation period.

6.3 Export handling

The verification team considers that a downward adjustment to the normal value for domestic handling expenses on goods shipped by water⁷ is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the handling costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export handling expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for those expenses over the investigation period.

6.4 Packaging

The verification team considers that an upward adjustment to the normal value for export packaging expenses is required.

⁷ For sales to East Malaysia.

The packaging costs associated with domestic and export sale were examined. The verification team has applied this adjustment by deducting the domestic packaging cost and adding a weighted average cost of export packaging over the investigation period which resulted in an upward adjustment.

6.5 Raw material cost adjustments

CSCM requested the Commission consider an adjustment to the normal value to take into consideration the difference in raw material costs between domestic goods and goods destined for export to Australia.

The Commission has not applied the requested adjustment, and has provided an explanation for these reasons in **confidential attachment 2**.

6.6 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:

| Adjustment Type | Deduction/addition |
|------------------------|---|
| Domestic credit | Deduct the cost of domestic credit |
| Domestic freight | Deduct the cost of domestic freight. |
| Domestic handling | Deduct the cost of domestic handling. |
| Domestic packaging | Deduct the cost of domestic packaging. |
| Export inland freight | Add the cost of export inland freight. |
| Export handling | Add the cost of export handling. |
| Export packaging | Add the cost of export packaging. |
| Export credit | Add the cost of export credit |

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

7 NORMAL VALUE

The verification team is satisfied that it found sufficient volumes of domestic sales of certain models, that were arm's length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of the goods are suitable for assessing normal value under subsection 269TAC(1).

For other models where there were insufficient sales made in the OCOT in the domestic market, the normal value has been 'constructed' in accordance with paragraph 269TAC(2)(c), using the CTM for Australian export sales; plus SG&A applicable to goods sold domestically; plus profit of domestic OCOT sales.

The normal value under these provisions has been adjusted for certain factors in accordance with subsection 269TAC(8) and (9) to achieve fair comparison of normal values with export prices.

The 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 preliminary dumping margin is 14.6%. The dumping margin calculations can be found in **confidential appendix 5**.

9 APPENDICES AND ATTACHMENTS

| | |
|----------------------------------|---|
| Confidential Appendix 1 | Australian export sales |
| Confidential Appendix 2 | Revised CTMS spreadsheet |
| Confidential Appendix 3 | Domestic sales |
| Confidential Appendix 4 | Normal value |
| Confidential Appendix 5 | Dumping margin |
| Confidential Attachment 1 | Verification work program, with attachments |
| Confidential Attachment 2 | Confidential analysis of raw material costs |