Folio No. 77

Australian Government
Australian Customs and Border Protection Service

INVESTIGATION INTO THE ALLEGED DUMPING OF ZINC COATED (GALVANISED) STEEL AND ALUMINIUM ZINC COATED STEEL EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA AND TAIWAN

EXPORTER VISIT REPORT

Yieh Phui Enterprise Co., Ltd. & Asiazone Co., Limited

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 CUSTOMS AND BORDER PROTECTION

December 2012

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2 BACKGROUND

2.1 Applications

On 3 August 2012, applications[1] were lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices.

On 17 August 2012[2] and 27 August 2012 additional information and data were received in respect of the applications. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications.

On 5 September 2012, following consideration of the applications, the Chief Executive Officer of Customs and Border Protection decided not to reject the applications and initiated investigations in the alleged dumping of galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at www.customs.gov.au.

2.2 Anti-dumping investigations and measures

2.2.1 Investigations

A countervailing investigation regarding galvanised steel and aluminium zinc coated steel exported from China was initiated on 26 November 2012. There have been no recent dumping investigations in respect of galvanised steel and aluminium zinc coated steel products.

2.2.2 Anti-dumping measures

There are no current anti-dumping or countervailing measures on galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

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[1] *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea* and *Taiwan* (Aluminium Zinc Coated Steel Application) received on 3 August 2012.

[2] Additional information relating to minor issues was also provided on 20 and 21 August 2012.

2.3 Background to meeting

Following the initiation of the investigations, a search of Customs and Border Protection's import database indicated that Yieh Phui Enterprise Co., (Yieh Phui) and Asiazone Co., Limited (Asiazone) exported galvanised and aluminium zinc coated steel from Taiwan to Australia from 1 July 2011 to 30 June 2012 (the investigation period).

Customs and Border Protection notified Yieh Phui and Asiazone of the initiation of the investigations and sought their cooperation with the investigations and provided an exporter questionnaire in respect of aluminium zinc coated steel and galvanised steel for the companies to complete. The companies completed the exporter questionnaires, and the non-confidential versions of these questionnaire responses are available on the public record.

2.4 Purpose of visit

The purpose of the visit was to verify information contained in the exporter questionnaire responses submitted by Yieh Phui and Asiazone.

The companies' exporter questionnaire responses consisted of background to its activities, details of exports to Australia, details of exports to other countries, Yieh Phui's cost to make and sell information and where relevant details of domestic sales and information on adjustments to domestic selling prices. It also identified Yieh Phui as the manufacturer of galvanised steel and aluminium zinc coated steel and Asiazone as the trader supplying galvanised steel and aluminium zinc coated steel to Australia. The exporter questionnaire response was supported by attachments. A non-confidential version of the exporter questionnaire response was placed on the public record.

Verified information has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices and normal values for coated steel manufactured by Yieh Phui; and
- dumping margins.

2.5 Visit

The visit for Yieh Phui took place at:

Yieh Phui (head office)
369 Yu Liao Road,
Chiao Tou Hsiang, Kaohsiung
TAIWAN

Telephone: + 888 7 6117181
Fax: + 888 7 6117042

The visit for Asiazone took place at:

Asiazone
20th floor, Tesbury Center,
28 Queen's Road East
Hong Kong

Telephone: + 852 22198988
Fax: + 852 22198788

The following persons were present at various stages of the visit:

Dates	Yieh Phui – 27, 28, 29 and 30 November 2012 Asiazone – 3 December 2012
Yieh Phui	Mr Gary Wen-Chung Tien, General Manager Finance Division Mr Steve K. C. Ling, Manager China Export Section, Global Marketing & Sales Division Mr Thomas Kuo-Pao Lee, Deputy Manager Galvanised marketing Development Section, Marketing Development Division Ms Regina Fei-Ju Chiang, Sales Representative Mainland China Export Section, Global Marketing & Sales Division
Asiazone	Mr Louis Huang, Manager
Consultants	Mr Jay Y. Nee, Partner (Appleton Luff) Mr Isaac Lin, International Trade Law Consultant (Appleton Luff) Mr Huibin Zhang, International Trade Law Consultant (Appleton Luff)
Customs & Border Protection	Ms Lydia Cooke, Manager, Operations 1 Mr An Chew, Supervisor, Operations 2

At the visit we provided a summary of the investigation process and timeframes as follows (highlighting that the following process and timeframes are for both the galvanised steel and aluminium zinc coated steel investigations):

- the investigation period for both investigations is 1 July 2011 to 30 June 2012;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determinations (PADs) may be made no earlier than 5 November 2012 (after day 60 from the initiation date);

- provisional measures may be imposed at the time of the PADs or at any time after the PADs have been made, but Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of dumping duty notices;
- a statement of essential facts (SEF) for respective investigations will be placed on the public record by 24 December 2012 or such later date as the Minister allows;
- this SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister);
- Customs and Border Protection's report to the Minister is due by 7 February 2013, unless an extension to the SEF is approved by the Minister;
- the Minister will have 30 days from the date of receipt of the final report to make a final decision; and
- certain interested parties have the right to seek a review to the Trade Measures Review Officer in relation to the Minister's final decision.

Yieh Phui and Asiazone were co-operative and had the required documentation available for the visit.

3 COMPANY INFORMATION

3.1 Company background

3.1.1 Yieh Phui

Yieh Phui, a publicly listed company on the Taiwan Stock Exchange, was established in 1986. Yieh Phui's exporter questionnaire response stated that the company has more than seventeen thousand shareholders, the response provided details of its ten largest shareholders. Yieh Phui is part of the E United Group, established in 2003. The E United Group is not a legal entity but a group of companies associated with Yieh Phui's Chairman, Mr. I. S. Lin (E United Group website is www.e-united.com.tw/).

Yieh Phui describes itself as a steel manufacturer engaging in the production and sales of galvanised steel, aluminium zinc coated steel, pre-painted steel and steel structures (cranes and other engineering structures). These products are sold both in the domestic and export markets. Yieh Phui stated that the majority of its production is exported. During the investigation period we found that two thirds of its total sales (by value) were export sales.

Yieh Phui and its subsidiary Shin Yang were visited by Customs and Border Protection in January 2012 as part of a dumping investigation regarding hollow structural sections. This investigation found that during 2011 Yieh Phui divested its pipe and tube business to its subsidiary Shin Yang and no longer produces these products.

Yieh Phui produces coated steel in its "galvanising and pre-painting division". In this division it has two pickling lines, 4 cold rolling lines, 4 galvanising lines and 3 pre-painting lines. Its 4 galvanising lines each have a capacity of 250,000MT per annum.

Yieh Phui provided us with a company profile brochure which is at **attachment GEN1**.

[redacted] *[sales routes]* Yieh Phui sells directly into the domestic market in Taiwan.

3.1.2 Asiazone

Asiazone is another member of the E Group and it is controlled by the E Group chairman Mr I. S. Lin. Yieh Phui and other members of the E Group are the majority shareholders in the company. A list of Asiazone's shareholders was provided in the exporter questionnaire response.

Yieh Phui explained that Asiazone had been established to [redacted] *[confidential company information]* Due to the interrelated nature of the Yieh Phui and Asiazone and their common control by Mr I. S. Lin, we propose to treat the two companies as a single entity for the purpose of our calculations.

3.2 Accounting

Yieh Phui and AsiaZone's financial year is the calendar year, 1 January to 31 December.

The companies included copies of the following documents in the respective exporter questionnaire responses and at the verification meeting:

- Yieh Phui's Chart of Accounts (**confidential attachment GEN2**);
- Yieh Phui's list of cost centres (**confidential attachment GEN3**);
- Yieh Phui's consolidated and unconsolidated Financial Statements for 2010 and 2011;
- Asiazone's Financial Statement for 2010 and 2011; and
- Yieh Phui's half yearly financial statements for the first half of 2012, which also contained information for the first half of 2011 (provided at the meeting);

The company representatives at the meeting advised that Yieh Phui uses an in-house accounting system based on the Oracle accounting software. Asiazone uses an accounting software system developed by Yieh United Steel Corporation.

3.3 Related parties

Yieh Phui and Asiazone provided a listing of affiliated parties within the exporter questionnaire response (**confidential attachment GEN4**). In addition Yieh Phui provided a listing of affiliates that provide it services or materials (**confidential attachment GEN5**).

We found that Yieh Phui made sales to [redacted] *[number]* affiliated companies of products ranging from galvanised steel and aluminium zinc coated steel to corporate services and rent. It sold galvanised steel and zinc aluminium coated steel to three related parties on the domestic market. Further details of these sales are discussed in section 7.3 of this report.

The nature of sales export sales to Australia made between Yieh Phui and Asiazone are discussed in section 7.3 of this report.

Yieh Phui also made purchases from affiliated parties. It purchased raw materials for galvanised and aluminium zinc coated steel from two related parties. This is discussed further in section 6 of this report.

4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 The goods the subject of the applications

4.1.1 Description

(i) Galvanised steel

The imported goods the subject of the Galvanised Steel Application are:

> *"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"*[3].

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. 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.

The application noted that 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*). The applicant claims that the 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.

(ii) Aluminium zinc coated steel

The imported goods the subject of the Aluminium Zinc Coated Steel Application are:

> "*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*"[4].

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[3] Galvanised Steel Application, page 10.

[4] Aluminium Zinc Coated Steel Application, page 10.

The goods the subject of this application are generically called aluminium zinc coated steel. 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.

The application noted that 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*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

4.1.2 Product standards

The applications stated that:

> *"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"*[5].

(i) Australia

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

(ii) International

The applications state that 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.

5 Galvanised Steel Application, page 12.

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

Figure 1: International Standards for galvanised steel[6]

International Standards	Product Grades
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 2: International Standards for aluminium zinc steel[7]

4.1.3 Tariff classifications

(i) Galvanised steel

The application states 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). Based on the information provided in the application, Customs and Border Protection's Trade

6 Galvanised Steel Application, page 11.

7 Aluminium Zinc Coated Steel Application, page 11.

Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

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. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 2 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm2 and NOT greater than 380 N/mm2; (b) tensile strength NOT less than 440 N/mm2; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvannealed, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 3: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers that the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

(ii) Aluminium zinc coated steel

The application states that 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. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

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. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

4.2 Like goods

4.2.1 Yieh Phui's products

4.2.1.1 Yieh Phui's claims

Yieh Phui manufactures and sells the goods in a wide range of specifications, grades, widths, thicknesses coating masses and finishes. It produced and sold galvanised steel and aluminium zinc coated steel. During the investigation period it produced both 5% and 55% aluminium zinc coated steel. For the purpose of identifying both galvanised steel and aluminium zinc coated steel sold on the domestic market that are most 'like' to those exported to Australia, Yieh Phui identified what it considered to be the key characteristics, being coating type, base metal thickness, width, coating mass and whether the product is slit/cut. It defined these characteristics through a six digit code for both galvanised steel and aluminium zinc coated steel (discussed below).

The first digit in Yieh Phui's product code was indicative of coating type and indicated whether the product was galvanised, 55% aluminium zinc coated or 5% aluminium zinc coated.

The second two digits in the product code referred to the thickness of the base metal. Yieh Phui categorised the galvanised steel and aluminium zinc coated steel into 27 thickness categories which covered the range of thicknesses from less than or equal to 0.254mm to greater than 3.302mm.

The fourth digit referred to width and Yieh Phui categorised width into seven categories from less than 600mm to greater than 1524mm.

The fifth digit referred to coating mass. For aluminium zinc coated steel Yieh Phui used five categories in relation to coating mass as follows:

Code	Coating Range (g/m^2)
1	Coating≦90
2	90<Coating≦120
3	120<Coating≦150
4	150<Coating≦200
5	Coating>200

For galvanised steel Yieh Phui created seven categories in relation to coating mass as follows:

Code	Coating Range (g/m^2)

1	**Coating≦120**
2	**120<Coating≦180**
3	**180<Coating≦200**
4	**200<Coating≦250**
5	**250<Coating≦275**
6	**275<Coating≦350**
7	**350<Coating≦450**
8	**450<Coating≦600**
9	**Coating>600**

Finally, the sixth digit identified whether the goods were slit/cut. The digit "1" identified that coil was uncut while the digit "2" identified slit/cut coil. .

Based on these product codes, [redacted] *[number]* models of aluminium zinc coated steel and [redacted] *[number]* models of galvanised steel were exported to Australia during the investigation period. On the domestic market, [redacted] *[number]* models of aluminium zinc coated steel were sold and [redacted] *[number]* models of galvanised steel. A complete list of the model categorisations is at **confidential attachment GOODS1**.

4.2.1.2 Additional product characteristics

In addition to the characteristics identified by Yieh Phui, we identified that there were also differences for the goods in the grade of steel, the type of finish and whether the product was prime or downgrade.

Grade

Yieh Phui identified that the galvanised steel and aluminium zinc coated steel exported to Australia was primarily made to the Australia standards (AS), with over 50% of exports comprising steel manufactured to [redacted] *[grades]* grades. Yieh Phui stated that the galvanised steel and aluminium zinc coated steel sold on the domestic market was manufactured to Japanese (JIS) or ASTM standards. Notwithstanding this difference, Yieh Phui explained that there were comparable grades across the three standards and that the grades exported to Australia could be compared with the JIS and ASTM grades sold on the domestic market. The company provided us with a table showing the grades that were most comparable to those exported to Australia at **confidential attachment DOM2**.

We also identified the following finishes galvanised steel and zinc aluminium coated steel exported to Australia:

- anti-finger print coated;

- chromated;
- environmental anti-finger print coated; and
- non-chemical treatment.

Yieh Phui also sold galvanised steel and aluminium zinc coated steel with these finishes on the domestic market and additional finishes, namely 'green treatment', environmental anti-microbial, ERR and low resistance cr-rree afp. Yieh Phui explained that some of these finishes incurred an extra cost and therefore we sought to differentiate them in our assessment of like goods, by adjusting for this charge as appropriate.

Colour

Yieh Phui also advised that it produces galvanised steel and aluminium zinc coated steel in a range of colours and it provided us with samples of products manufactured to different colours (pictured below). It advised that it exported some aluminium zinc coated steel to Australia that was in [redacted] *[colours]* tints. Domestically, in addition to these colours, it also sold aluminium zinc coated steel in [redacted] *[colours]* tints.

Yieh Phui also advised that it sold some galvanised steel to Australia with [redacted] *[colour]* tint, while domestically in addition to [redacted] *[colour]*, it also sold [redacted] *[colour]* tinted galvanised steel.

Tinted steel colours produced by Yieh Phui. The steel sample on the far right has a metal embossed finish.

Downgrade/prime

We queried Yieh Phui about a large number of low priced galvanised steel and aluminium zinc coated steel sales on the domestic market and found that many of these sales were downgrade or non-prime product. Yieh Phui subsequently identified which sales were downgrade and which were prime. On the domestic market, sales of non-prime products account for [redacted] *[percentage]* of Yieh Phui's sales of galvanised steel sales and [redacted] *[percentage]* of aluminium zinc coated steel sales. Yieh Phui stated that all exports to Australia of galvanised and aluminium zinc coated steel were of prime steel and therefore we did not consider downgrade steel sold on the domestic market to be suitable for use in determining the normal value for export sales, with one exception. In categorising goods as downgrade, Yieh Phui used several categories such as damaged coil and small coils (i.e. coil ends). We consider that small coils can be considered as like goods as they are technically still price quality products and have included them in our assessment of normal value. However, we note that there were no sales of galvanised steel or aluminium zinc coated steel in small coils that were in the ordinary course of trade (section 7.8 below refers).

Additional product codes

Yieh Phui identified that in its system in the ordinary course of business, it categorises goods by a three digit product code. These codes defined the basic product characteristics, such as finish, whether the goods were produced from cold or hot rolled coil, whether the goods were slit, sheeted or coil and whether it had a metal embossed finish (pictured above). Due to these descriptors, some six digit model codes fell into more than one category. Specifically we found that some six digit codes included three digit codes for both spangled and non-spangled coatings. We considered that we had identified all the major price differences using the six digit code and the additional factors described above. The list of the three digit codes and their descriptions is at **confidential attachment GOODS3**.

4.2.1.3 Yieh Phui's products - summary

In summary we found that Yieh Phui produced a range of like goods to the galvanised steel and aluminium zinc coated steel exported to Australia. To better compare the galvanised steel and aluminium zinc coated steel that was most like to that exported to Australia, we categorised the galvanised steel and aluminium zinc coated steel by:

- coating type (5% and 55% aluminium zinc coating and galvanised);
- base metal thickness;
- width;
- coating thickness;
- finish type;
- colour;

- quality (prime or down grade);
- whether the coil was slit/cut; and
- whether the coil was metal embossed or not embossed.

While a range of products were exported to Australia via [redacted] *[company]* and sold on the domestic market, Yieh Phui only exported galvanised steel of commercial grades (the base grade) to Australia via [redacted] *[company]*.

4.2.2 Like goods – preliminary assessment

We recommended that, with the exception of downgrade coated steel, Customs and Border Protection be satisfied that the goods produced by Yieh Phui for domestic sale have characteristics closely resembling those of the goods under consideration and are therefore "like goods" in terms of subsection 269T(1).

5 EXPORT SALES TO AUSTRALIA

5.1 General

5.1.1 Volumes and sales routes

Yieh Phui exported the following volumes of galvanised steel and aluminium zinc coated steel to Australia during the investigation period:

Coated steel type	Quantity (MT)
Galvanised steel	[redacted]
Aluminium zinc coated steel *- 55% aluminium zinc coated* *- 5% aluminium zinc coated*	[redacted]

[redacted] *[sales routes]*

Customer name	Quantity (MT)
[redacted]	[redacted]
Grand Total	[redacted]

The details of the sales and sales routes are described below.

5.1.2 Aluminium zinc coated steel

During the investigation period, [redacted] *[confidential details of sales route]*

The sales process can be described as follows:

- [redacted] *[customers]* make price inquiries with Yieh Phui via telephone or email.
- Yieh Phui provides its prices, [redacted] *[sales details]*, and Yieh Phui and the customer negotiates before the terms of sale are settled upon.
- Yieh Phui provides the details to [redacted] *[sales details]* who prepares a sales contract with the customer based on the terms negotiated by Yieh Phui and the customer.

- Concurrently, Yieh Phui prepares a sales contract with [redacted] *[sales details]*
- Upon completion of the sales contract, Yieh Phui begins production of the goods.
- When production is complete, the goods are delivered to the port for shipping directly to Australia.
- Yieh Phui issues an invoice and packing list to [redacted] *[sales details]*
- Payment terms are letter of credit (L/C) or telegraphic transfer (T/T) and payment is received prior to shipping. [redacted] *[sales details]*

5.1.3 Galvanised steel

During the investigation period, Yieh Phui had [redacted] *[confidential details of sales route]*

Sales made [redacted] *[sales route]*

The sales process for galvanised steel [redacted] *[sales route]* is the same as that for aluminium zinc coated steel described above.

Sales to [redacted] *[sales route]*

The sales process for sales [redacted] *[sales route]* is as follows:

- [redacted] *[customer]* makes price inquiries with Yieh Phui via telephone or email.
- Yieh Phui provides its prices and negotiates occur before the terms of sale are settled upon.
- Yieh Phui drafts a sales contract for [redacted] *[customer]* with the terms of sale agreed upon.
- Upon completion of the sales contract, Yieh Phui begins production of the goods.
- When production is complete, the goods are delivered to the port for shipping directly to Australia.
- Yieh Phui issues an invoice and packing list to the customer.
- Yieh Phui received payment by L/C or T/T prior to shipping from [redacted] *[customer]* and [redacted] *[customer]*.

Aluminium zinc coated and galvanised steel

Yieh Phui explained that its prices of galvanised steel and aluminium zinc coated steel exported to Australia were based on monthly price guidelines, which took into account the raw material costs and exchange rates. Copies of these price guidelines over the investigation period were provided in the exporter questionnaire response. Yieh Phui explained that it generally released its price to [redacted] *[sales details]* After an order was received, Yieh Phui then purchased the raw materials required and it generally took two months until shipment.

Yieh Phui had a standard price extras list for export sales which it explained was based on [redacted] *[confidential pricing details]*

Yieh Phui explained that it sold its galvanised steel and aluminium zinc coated steel on [redacted] *[sales terms]* terms. The goods were delivered for shipment to the Kaohsiung port. Exports were warehoused at the port prior to shipment, as only one or two coils can be transported on each truck at a time.

5.2 Verification of export sales up to audited financial statements

5.2.1 Yieh Phui

In Yieh Phui's exporter questionnaire response, it provided detailed export sales spreadsheets listing its sales to [redacted] *[customer]* of galvanised steel and aluminium zinc coated steel exported to Australia from Taiwan. We sought to verify the completeness and relevance of these spreadsheets up to audited financial statements. Yieh Phui provided us with a sales report summary showing monthly sales volume and value over the investigation period (**confidential attachment EXP1**). It also provided us with audited income states for the 2011 calendar year (**confidential attachment EXP2**) and the first half 2012 which also shows the first half 2011 figures (**confidential attachment EXP3**). We were able to reconcile the total sales revenue in the sales report (confidential attachment EXP1) to the audited income statements by adding the first half 2012 sales revenue and subtracting the first half 2011 sales revenue to the 2011 calendar year sales revenue.

Having been satisfied that the sales report (confidential attachment EXP1) reconciles to the audited income statements, we then sought to reconcile it to the Australian export sales spreadsheets. During the visit, Yieh Phui undertook a full download from its system of its total galvanised steel and aluminium zinc coated steel export sales listing for the investigation period and provided us with a copy of a pivot table summary (**confidential attachment EXP4**). We were able to match the total export sales revenue and volume shown on the pivot table (confidential attachment EXP4) to the total coated steel export sales revenue amount shown on the sales report (confidential attachment EXP1). We were then able to match the total Australian export sales revenue and volume of galvanised steel shown on the export sales pivot

table (confidential attachment EXP4) to the sum of the gross invoice value and volume in the Australian galvanised steel export sales spreadsheet. In relation to aluminium zinc coated steel, Yieh Phui was able to separate out the transactions in the sales download that were sales of aluminium zinc coated steel at less than 600mm in width. We were then able to match the total Australian export sales revenue and volume of aluminium zinc coated steel with a width of equal to or greater that 600mm shown on the export sales pivot table (confidential attachment EXP4) to the sum of the gross invoice value and volume in the Australian aluminium zinc coated steel export sales spreadsheet.

Having been able to reconcile Yieh Phui's galvanised steel and aluminium zinc coated steel Australian export sales spreadsheets up to audited financial statements, we are satisfied that the spreadsheets are complete and only contain relevant sales.

5.2.2 Asiazone

In Asiazone's exporter questionnaire response, it provided detailed export sales spreadsheets listing its sales of galvanised steel and aluminium zinc coated steel exported to its Australian customer.

As Asiazone's spreadsheet also lists the coil number for each line, we were able to match all the transactions in Asiazone's spreadsheets to Yieh Phui's spreadsheets by cross referencing the coil number. For both galvanised steel and aluminium zinc coated steel, we were also able to match Yieh Phui's export sales volume and value to Asiazone's export sales volume and value (after taking into account Asiazone's trading margin).

Having been satisfied with the completeness and relevance of Yieh Phui's export sales spreadhseet, we were also satisfied that Asiazone's galvanised steel and aluminium zinc coated steel Australian export sales spreadsheets are complete and only contain relevant sales.

5.2.3 Rebates

Yieh Phui's income statement included a line for rebates, however the detailed export sales spreadsheet indicated that no export sales received any rebates. Yieh Phui advised that rebates are only paid to certain domestic customers and export sales do not receive any rebates. We asked Yieh Phui to demonstrate that rebates are only paid to domestic customers using October 2011 as an example. Yieh Phui provided us with its October 2011 income statement (**confidential attachment EXP5**) which we reconciled to the sales report summary (confidential attachment EXP1). It then provided us with an extract of the rebates account ledger for October 2011 which shows all of its rebate entries (**confidential attachment EXP6**) and we were able to match the total to the rebate amount shown on the October 2011 income statement (confidential attachment EXP5). For each transaction on the rebates account ledger (confidential attachment EXP6), the customer was identified which showed that all the customers in receipt of rebates were either Chinese or Taiwanese customers. Neither Asiazone nor its Australian customers were listed on the rebates ledger. Accordingly we are satisfied that Yieh Phui did not provide rebates for its Australia export sales of galvanised steel and aluminium zinc coated steel. We note that

Asiazone did not have a line for rebates in its audited income statement (confidential attachment CTMS 34)

5.3 Verification of export sales down to source documents

5.3.1 Yieh Phui

Prior to the visit, we selected 12 galvanised steel and 10 aluminium zinc coated steel export sales from the detailed Australian export sales spreadsheet and requested that Yieh Phui provide source documents in relation to each invoice.

For each selected invoice, the Yieh Phui provided copies of the following documents during the visit:

- Purchase order;
- Sales contract;
- Order confirmation
- Commercial invoice to [redacted] *[customer]* and [redacted] *[customer]*;
- Packing list;
- One shipping notice;
- Shipping order;
- Export declaration;
- Bill of lading;
- Certificate of origin;
- Mill test certificate;
- Proof of payment from [redacted] *[customer]* and [redacted] *[customer]*;
- Inland transport documents;
- Brokerage charges documents;
- Trade promotion fee documents;
- Harbour construction fee documents;
- Cargo certification fee documents;
- Warehousing fee; and
- Cargo loading fee.

Prior to the visit, Yieh Phui explained that as an invoice may have multiple steel coils, each invoice may correspond to multiple shipping notices. For example, it advised that one of the selected invoices corresponds to 69 shipping notices. Accordingly, we agreed that during the visit, Yieh Phui may just provide one shipping notice per invoice, however we reserve the right to obtain the other shipping notices if we deem it necessary. Yieh Phui explained that a shipping notice is similar to a delivery voucher where the coils for each truck delivery are itemised on the shipping notice.

We were then able to match the sales information in the source documents to the data contained in the detailed sales spreadsheet. The source documents, including proof of payment, of the selected sales are at **confidential attachment EXP7**.

We note that each transaction in the export sales spreadsheet refers to a specific coil with the unique coil number identified.

5.3.2 Inland transport

As discussed in section 5.3.1 above, Yieh Phui provided one shipping notice for each invoice. In relation to inland transport, which is provided by [redacted] *[company]*, an unrelated company, Yieh Phui provided inland transport documentation relating to that shipping notice including relevant accounting entry vouchers, the commercial invoice and proof of payment. We note that a shipping notice can include coils from other invoices. Yieh Phui calculated the unit price for that shipping notice then applied that amount to the transaction. We also note that one inland transport invoice includes numerous services provided by the inland transport company and Yieh Phui provided the detailed listings behind the invoice. For all of the selected invoices, we were able reconcile the amount shown on the export sales spreadsheet to these source documents.

5.3.3 Brokerage charges

At the beginning of the verification visit, Yieh Phui provided revised exports sales spreadsheets with minor corrections to the brokerage charges. It explained that where invoices included products that were not the goods (e.g. pre-painted steel), the original spreadsheet incorrectly allocated the full brokerage charge amount to the goods rather than proportioning over all products on the invoice (**confidential attachment EXP8**).

Brokerage services for export sales of galvanised steel and aluminium zinc coated steel to Australia is provided by [redacted] *[company]*, an unrelated company. For each of the selected invoices, Yieh Phui provided brokerage charges documentation including the accounting voucher entry, invoices and proof of payment. We note that each invoice is made up of brokerage charges for numerous shipments, itemised by Yieh Phui's commercial invoice number for the goods. Yieh Phui then allocated the brokerage charges to the relevant transactions in the export sales spreadsheet by weight. For all of the selected invoices, we were able to reconcile the amount shown on the export sales spreadsheet to these source documents.

We noted that, the spreadsheet showed no brokerage charges for two galvanised steel invoices and one aluminium zinc coated steel invoices. One of the galvanised steel invoices with no brokerage charges was a selected sale (invoice number PPG1176) and there were no source documents relating to brokerage charges provided. Yieh Phui explained that for this invoice, and the other invoices with no brokerage charges, they did not have any records of being charged by its broker for this invoice and therefore no brokerage charges were recorded in the system against this invoice. We considered this explanation reasonable.

5.3.4 Trade promotion fee

Similar to brokerage charges in 5.3.3 above, Yieh Phui provided revised exports sales spreadsheets with minor corrections to the trade promotion fee where invoices included products that were not the goods (confidential attachment EXP8).

Yieh Phui stated that the Kaohsiung Customs Bureau charges a trade promotion fee on exports, however if the fee payable is less than NTD 100, then the fee is exempt.

Yieh Phui explained that the trade promotion fee amount payable is shown on the export declarations and it allocated the fee to each transaction on the export sales spreadsheet based on weight. Yieh Phui also provided the accounting voucher entry, receipts and proof of payment for each selected invoice and we were able to reconcile the amount shown on the export sales spreadsheet to these source documents.

We noted that three of the selected galvanised steel invoices ([redacted] *[invoice numbers]*) and one aluminium zinc coated steel invoice ([redacted] *[invoice number]*) recorded no trade promotion fee on the spreadsheet but showed trade promotional fees payable of more than NTD 100 on the export declaration. Yieh Phui explained that the Kaohsiung Customs Bureau bills the trade promotion fee on a quarterly basis and at the time of lodging the exporter questionnaire response, Yieh Phui had not received the trade promotion fee bill and therefore no amount was recorded against those transactions. However, Yieh Phui confirmed that subsequently, the trade promotion fee was incurred by Yieh Phui. Therefore, we requested, and Yieh Phui provided, a revised export sales spreadsheet with updated trade promotion fee costs.

5.3.5 Harbour construction fee

Similar to brokerage charges in 5.3.3 above, Yieh Phui provided revised exports sales spreadsheets with minor corrections to the harbour construction fee where invoices included products that were not the goods (confidential attachment EXP8).

Yieh Phui advised that a harbour construction fee is charged by the Ministry of Transport and payable on exports at a rate of NTD 13 per gross tonne or, if it is containerised, NTD 547 per container. For each of the selected invoices, Yieh Phui provided harbour construction fee documentation including the accounting voucher entry, invoices and proof of payment and we were able to reconcile the amount shown on the export sales spreadsheet to these source documents.

5.3.6 Cargo certification fee

Similar to brokerage charges in 5.3.3 above, Yieh Phui provided revised exports sales spreadsheets with minor corrections to the cargo certification fee where invoices included products that were not the goods (confidential attachment EXP8).

Yieh Phui advised that the cargo certification fee is for the inspection and monitoring of the cargo stuffing and loading at the Port of Kaohsiung by [redacted] *[company]*, an unrelated company, at the rate of NTD [redacted] plus NTD[redacted] per tonne over [redacted] tonnes. For each of the selected invoices, Yieh Phui provided cargo certification fee documentation including the accounting voucher entry, invoices, proof of payment and the stuffing inspection report (with photographs of the cargo) and we were able to reconcile the amount shown on the export sales spreadsheet to these source documents.

5.3.7 Warehousing fee

Yieh Phui stated that to ensure that the goods do not miss the ship, the goods may need to be transported to the Port of Kaohsiung ahead of time and warehoused at the port prior to the arrival of the ship. This warehousing service is provided by the [redacted] *[company]*, an unrelated company.

For each of the selected invoices, Yieh Phui provided warehousing documentation including the accounting voucher entry, invoices and proof of payment. Attached to the invoice is an inventory movement report listing the quantity of coil moving in and out of the warehouse for the invoiced month. We note that the inventory movement report shows the unit warehousing expense per tonne per day, however we were not able to work out how many days the coils were in storage. Yieh Phui explained that it keeps track of when coils enter and leave the warehouse in its system, and used this information to calculate the warehousing cost. We then selected an invoice ([redacted] *[invoice number]*) and Yieh Phui provided a report from its system showing the number of storage days for the coils associated with that invoice (**confidential attachment EXP9**). We were then able to calculate the total warehousing cost based on the number of storage days for each coil, the unit warehousing expense and weight of the coil, which matched the amount shown in the export sales spreadsheet.

5.3.8 Cargo loading fee

At the beginning of the verification visit, Yieh Phui advised that the export sales spreadsheet lodged with the exporter questionnaire response used net weight as the allocation method for cargo loading fees, however it is more accurate to use gross weight than net weight. It also advised that cargo loading ancillary expenses were inadvertently left out of the original export sales spreadsheet (confidential attachment EXP8). Accordingly, Yieh Phui provided us with an updated export sales spreadsheet with these two revisions. These services were also provided by [redacted] *[company]*

For each of the selected invoices, Yieh Phui provided cargo loading fee documentation including the accounting voucher entry, invoices and proof of payment and we were able to reconcile the amount shown on the export sales spreadsheet to these source documents.

5.3.9 Packaging

Yieh Phui stated that it records the cost of the various different types of packaging used via a specific packaging code recorded against each coil. We note that the packaging code is identified for each line in the export sales spreadsheet. Yieh Phui provided us with a worksheet listing all the different packaging codes and the corresponding calculation of the unit packaging cost (**confidential attachment EXP10**), which is based on a standard cost, then the allocation of the actual costs based on the standard costs over the investigation period. It explained that it used this unit packaging cost to calculate the packaging cost for each export sales transaction and we were able to match the unit packaging costs from this worksheet to the export sales spreadsheet. We asked Yieh Phui to show us how the standard

costs amount is determined and it provided us with the underlying spreadsheet for one packaging code showing the coil numbers and the corresponding standard costs (**confidential attachment EXP11**) which summed to the standard cost amount for that packaging code shown on the packaging cost worksheet (confidential attachment EXP10).

Yieh Phui also provided us with a report showing the monthly breakdown of the packaging costs itemised by the different production lines (**confidential attachment EXP12**) and, noting that the total cost for the investigation period matched the packaging cost worksheet (confidential attachment EXP10), we were able to reconcile the total packaging expenses for the month of December 2011 up to the post-allocation manufacturing overheads management report (**confidential attachment CTMS5**).

We then sought to verify packaging costs down to source documents. Yieh Phui provided us with a report listing the itemised packaging materials expensed in December 2011 (**confidential attachment EXP13**) and we were able to reconcile the total amount to the December 2011 variable manufacturing overheads management report (confidential attachment CTM5). We then selected two items from the packaging materials listing (PVC tape & galvanised steel straps) and Yieh Phui provided the accounting vouchers and the invoices for these items (**confidential attachment EXP14**). We were able to reconcile the costs for these two items from the itemised packaging material expense report (confidential attachment EXP13) down to the source documents (confidential attachment EXP14).

5.3.10 Asiazone

Prior to the visit, we requested that [redacted] *[company]* provide source documents in relation to those sales that were selected for Yieh Phui's export sales verification and were made [redacted] *[sales route]*. Yieh Phui advised that all but one selected galvanised zinc coated steel invoice were sold [redacted] *[sales route]*.

For each selected invoice, the Asiazone provided copies of the following documents during the visit:

- Commercial invoice to the Australian customer;
- Bill of lading;
- Packing list;
- Certificate of origin;
- Mill test certificate
- Corresponding Yieh Phui invoice;
- Sales contract; and
- Proof of payment.

We were then able to match the sales information in the source documents to the data contained in the detailed Australian sales spreadsheet. The source documents, including proof of payment, of the selected sales are at **confidential attachment EXP15**.

5.3.11 Conclusion

Having been able to reconcile Yieh Phui's and Asiazone's galvanised steel and aluminium zinc coated steel export sales spreadsheets down to source documents, we are satisfied that the spreadsheets are accurate .

5.4 Date for comparison of export and domestic sales

Yieh Phui advised that the date of sale as included in the export sales spreadsheet refers to the date of invoice. [redacted] *[confidential sales details]*

Customs and Border Protection usually regards the invoice date as the date of sale (that is, the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate. In this instance, this is what the company also proposes and we have accordingly used the invoice date as the date of sale.

5.5 The exporter

5.5.1 Export sales via Asiazone

As noted above we consider Yieh Phui and Asiazone to be one entity for the purpose of determining export price. [redacted] *[confidential sales details]* we consider them to be one entity because:

- both companies are in the E Group and are controlled either directly or indirectly by Mr I. S. Lin;
- Yieh Phui makes sales [redacted] *[company details]*; and
- The price paid to [redacted] *[sales details]*

We consider Yieh Phui to be the exporter of galvanised steel and aluminium zinc coated steel exported to Australia from Taiwan. Yieh Phui:

- is the manufacturer of the goods and manufactured the goods to the specific order of the Australian customer;
- owned the goods at the time of export;
- is listed as the supplier on the bill of lading;
- arranges and pays the inland freight;
- is the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods.

5.5.2 Export sales via [redacted] *[customer]*

For sales to [redacted] *[company]*, we consider Yieh Phui to be the exporter of galvanised steel exported to Australia from Taiwan. Yieh Phui:

- is the manufacturer of the goods and manufactured the goods to the specific order of the Australian customer;
- owned the goods at the time of export;
- is listed as the supplier on the bill of lading;
- arranges and pays the inland freight;
- is the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods.

5.6 The importer

We consider that for export sales of galvanised steel and aluminium zinc coated steel made [redacted] *[sales route]*, [redacted] *[company]* was the beneficial owner of the goods at the time of importation. The beneficial owner is considered to be the one who was entitled to all the benefits associated with ownership even though they may not be the legal owner of the goods. We noted that [redacted] *[company]*:

- negotiated with Yieh Phui either directly or indirectly;
- are considered by Yieh Phui and Asiazone to be the end customers;
- are named as the consignee on the bills of lading; and
- arranges and pays ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port.

We consider [redacted] *[company]* to be the importer.

For export sales of galvanised steel made to [redacted] *[company]*, we note that the sales contract identifies [redacted] *[company]* as the end customer, however the bill of lading identifies [redacted] *[company]* as the consignee. We understand that [redacted] *[company]* trades as [redacted] *[company]*. Therefore we consider [redacted] *[company]* trading as [redacted] *[company]* as the importer.

5.7 Arms length

In respect of Yieh Phui/Asiazone's sales to Australia we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or

- the price is 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, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider the export sales of galvanised steel and aluminium zinc coated steel by Yieh Phui/Asiazone to [redacted] *[company]* and Yieh Phui to [redacted] *[company]* were arm's length transactions.

5.8 Export price – preliminary assessment

For sales made via Asiazone we are satisfied that:

- the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchases of the goods were arms length transactions.

We consider that the export price for these sales can be determined under s. 269TAB(1)(a) using the invoiced price from Asiazone to [redacted] *[company]* less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

For export sales made to [redacted] *[company]*, sufficient information has not been furnished to enable the export price to be ascertained using the price paid or payable by the importer. Accordingly, we consider that the export price for these sales should be determined under s. 269TAB(3) using all relevant information. In this instance, the export price can be determined using the [redacted] *[sales terms]* invoiced price to [redacted] *[company]*.

Details of the export price calculations and summary export prices are at **confidential appendix 1**.

6 COSTS TO MAKE & SELL

6.1 General

6.1.1 Revised CTMS spreadsheets

In the exporter questionnaire response Yieh Phui provided cost to make and sell (CTMS) spreadsheets for galvanised and aluminium zinc coated steel for domestic and Australian export sales (**confidential attachment CTMS1**). The spreadsheets listed costs monthly for each of the six digits models sold in that month.

In preparing these spreadsheets Yieh Phui calculated the cost to make each product produced on a monthly basis across all production (for both domestic and export sales). It then allocated the total manufacturing costs specifically for the domestic and Australian sales by the sales volumes of the specific models in each month.

However, using this methodology resulted in no costs being shown in the CTMS spreadsheet in months in which certain models were produced but not sold and sold but not produced. For example, a model may be produced in January and sold in February due to timing differences. Accordingly, no production costs would be shown for January as no sales were made and no costs would be show in February as no production was carried out in this month. As a result, there were a large number of models for which no costs were shown for certain months.

After discussion, in order to address this issue the company prepared a quarterly CTMS spreadsheet. Quarterly sales captured a wider range of cost data as the spreadsheet captured the cost of production across the whole quarter when sales were made in that quarter. We were able to reconcile the quarterly CTMS spreadsheet to the monthly CTMS spreadsheet via the calculation spreadsheets (discussed below). We also found that costs were relatively constant across the investigation period and therefore we found it appropriate to use quarterly costs.

The revised quarterly CTMS spreadsheets are at **confidential attachment CTMS2**.

6.1.2 Surrogate costs

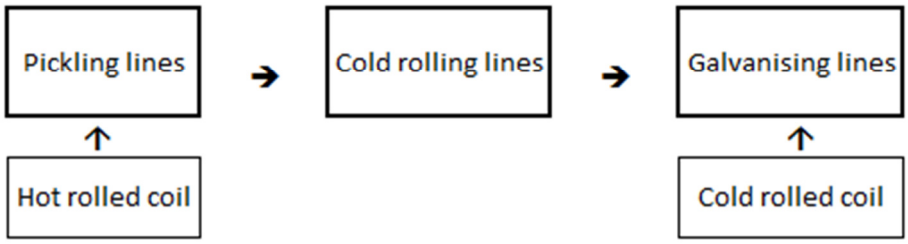
After consolidating the costs to quarterly costs, there were still some quarters in which certain models were sold but not produced and therefore no CTMS was recorded for these models. The company accordingly identified the most similar model produced in that quarter and used these costs as a substitute. Where possible, a more expensive model was used (such as a model with the same width and coating mass but one category thinner in thickness) but in instances where a more expensive model was not produced, the next closest model was used. A surrogate cost was used in approximately 20% of instances.

6.1.3 Cost allocation methodology

Yieh Phui explained that in the ordinary course of business, it did not record costs by model but rather by production line. It has created the costing by model specifically

for the exporter questionnaire response. In allocating costs to the different models it took into account the production process of each model. Yieh Phui manufacturers galvanised steel and aluminium zinc coated steel predominately from hot rolled coil (HRC) with a small amount of cold rolled coil (CRC).

Yieh Phui inputs HRC into its pickling lines, to remove surface build up, before the pickled HRC is fed into the cold rolling lines. At the cold rolling lines the hot rolled coil is rolled thinner and made into cold rolled coil. This cold rolled coil is then fed into the galvanising lines. It also purchased a small amount of CRC and fed this product directly into the galvanising lines. The production process is summarised in the chart below:



Yieh Phui explained that it recorded the production of different models on each production line. It then allocated the raw material costs to the individual models produced by weight and direct labour and manufacturing overhead costs by processing time. Its calculation took into account the raw material inputs of each model and the processes the coil went through. For example, a coil that was produced from cold rolled coil, would not attract any costs for hot rolled coil input and would also not have any labour and overhead costs allocated to it for pickling or cold rolling. Further discussion of the specifics of this allocation method is below.

6.2 Verification of production costs to audited financial statements

Yieh Phui provided us with spreadsheets that contained its calculations to allocate its total variable overheads, fixed overheads, direct labour and raw material costs to the individual models across all production (discussed further below) (**confidential attachment CTMS3 and 4**). These spreadsheets reconciled to the monthly CTMS spreadsheet, which in turn could be reconciled to the quarterly CTMS spreadsheets. To support these allocation calculations Yieh Phui provided for December 2011:

- Reports from its management accounts showing direct labour and variable and fixed overheads (**confidential attachment CTMS5, 6 and 7**); and
- the raw material consumption and sales report from its management accounts (raw material consumption report) (**confidential attachment CTMS8**).

Yieh Phui advised that the costs for galvanised steel and aluminium zinc coated steel was recorded under the company's "galvanised and pre-painted division".

The totals of the labour, overheads and raw material costs used in the allocation calculations could be reconciled to the direct labour, overheads and raw materials

report and in turn to the December 2011 operating cost table for the "pre-painted and galvanised division" – the division under which galvanised steel and aluminium zinc coated steel costs were recorded (**confidential attachment CTMS9**). The company then provided us with a summary report of the cost of goods (COGS) sold for each month of the investigation period (**confidential attachment CTMS10**). The total of the operating cost table reconciled to the COGS report for December 2011. We were then able to reconcile the total of the investigation period COGS to the unconsolidated audited financial statements using the following equation:

COGS shown in financial statements for 2011 minus COGS shown in the financial statements for the first half of 2011 plus COGS shown in the financial statement for the first half of 2012.

Extracts from the 2011 and first half of 2012 are at confidential attachments EXP2 & EXP3. The financial statements for the first half of 2012 also contain information relating to the first half of 2011.

In our upwards cost verification, however, only the raw material costs, direct labour costs and manufacturing overheads were reconciled to the operating costs table for the "galvanised and pre-painted" division (**confidential attachment CTMS9**), and subsequently to the audited financial statements. We noted that these costs accounted for the vast majority of the costs listed in the operating costs table but that other, mostly negative costs were also included. The included costs were 4% higher than the total COGS for that month. Yieh Phui explained that in preparing the CTMS spreadsheet it only used the direct input costs. It explained that the other costs in the operating cost table referred to beginning and ending inventory movements, scrap sales (which were taken into account in the CTMS) and rebates on raw materials that were given after the purchase of the goods (this is discussed further below). We therefore considered the manufacturing costs to be complete but noted that the exclusion of some rebates may have resulted in a minor overstatement of the costs.

6.3 Verification of production costs to source documents

We selected December 2011 for Yieh Phui for verification to source documents to ensure the accuracy of the cost to make data.

An examination of the costs of galvanised and aluminium zinc coated steel showed that the main cost element was the hot rolled coil input and that raw materials made up the vast majority of costs. The breakdown by cost element is as follows:

Cost elements	Aluminium zinc coated steel	Galvanised steel
Total raw material costs	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*
- Hot rolled coil	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*
- Cold rolled coil	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*
- Zinc and aluminium	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*
- Scrap offset	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*
Direct labour	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*

Manufacturing overheads	[redacted] *[% of total cost]*	[redacted] *[% of total cost]*

6.3.1 Production volumes

To verify the production volumes, Yieh Phui provided us with the December 2011 production report for the pickling, cold rolling, galvanising and pre-painting lines from its management accounts (**confidential attachment CTMS11**). These reports listed the production volumes by production line. We were able to reconcile the production volumes of the four production galvanising lines to the CTMS monthly spreadsheet. We were therefore satisfied that the production volumes were accurately recorded.

6.3.2 Raw material costs

Hot rolled coil

Yieh Phui purchases HRC from a number of different suppliers. Its purchases are made predominately from domestic suppliers but it does purchase some imported HRC. A summary of Yieh Phui's purchases of HRC from different suppliers is shown below:

Supplier	Relationship	Quantity (MT)	Percentage of purchases	Price NTD/MT
[redacted]	Unrelated	[redacted]	[redacted]	[redacted]
	Related			
	Unrelated			
	Unrelated			
	Unrelated			
	Unrelated			
	Unrelated			
Total				

During the investigation period Yieh Phui only purchased HRC from one related party, [redacted] *[company]*. These sales were found to be comparable in price to purchases from unrelated suppliers. [redacted] *[supply details]*. Yieh Phui explained that [redacted] *[supply details]*

Yieh Phui provided us with the following information regarding which grades of HRC were used in the production of galvanised and aluminium zinc coated steel that was exported to Australia.

Grades	HRC grade

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Yieh Phui explained that the raw material inventory report and its costs records did not record and differentiate the cost of HRC by grade. However, the company explained that the same grade was used for most grades of galvanised and aluminium zinc coated steel produced (as shown above) and where different grades were used the price was very similar (approximately USD[redacted]/MT).

Yieh Phui explained that it allocated raw materials costs and HRC costs to different models using the costs recorded in the raw material consumption report (**confidential attachment CTMS8**). As noted above, we were able to reconcile the CTMS spreadsheet via the allocation spreadsheets to this report.

The raw material consumption report listed the value and volume of each type of raw material input into each production line during the month. Using the value and volume, Yieh Phui calculated the unit input cost of HRC into the pickling lines (the first stage of the production process) for each month of the investigation period.

Yieh Phui then calculated the yield losses at each stage of production using the input and output quantities of coil for each line at each production stage (pickling, cold rolling and galvanising (**confidential attachment CTMS12**). It provided the December 2011 production report by production stage to substantiate these quantities (**confidential attachment CTMS11**). The yield loss ratios were then applied to the unit HRC input cost to determine the unit cost of HRC in the output. The unit HRC output cost provided the basis of the HRC costs in the CTMS spreadsheet. Similar calculations were provided for cold rolled coil (CRC) (**also in confidential attachment CTMS11**).

To verify the HRC costs to source documents, Yieh Phui provided us with the raw material inventory report for December 2011 (**confidential attachment CTMS13**), which showed the beginning and ending value of materials as well as their consumption during the month. We could reconcile the HRC recorded as consumed in the inventory report to the raw materials consumption report. The company provided us with four invoices for HRC purchases and proof of payment, which we could reconcile to the raw material inventory (**confidential attachment CTMS14**). These invoices covered both purchases from unrelated and related companies.

We also identified that Yieh Phui received a number of rebates for its HRC purchases. Delivery and quantity rebates could be provided at the time of purchase and the invoiced amount included this rebates. Retroactive price rebates could also be provided and these rebates were included in the raw material inventory report. However, Yieh Phui also received some end of year rebates which were not listed in the inventory report or offset against the cost of production for coated steel. As noted above, this was because while Yieh Phui used the monthly operating costs table to determine its manufacturing costs, it only allocated the cost of direct inputs such as raw material costs and manufacturing overheads. Accordingly, end of year rebates are not included and Yieh Phui's HRC costs are slightly over reported. Yieh Phui provided us an accounting voucher for the end of year rebate which is at **confidential attachment CTMS15**.

Zinc and aluminium

Yieh Phui explained that unlike HRC, it was required to import its zinc and aluminium purchases. Yieh Phui purchased over half its zinc from [redacted] *[company]*. The remaining zinc purchased came from four other non-related suppliers. All of Yieh Phui's aluminium purchases were from unrelated suppliers.

Asiazone explained that when it sourced zinc for Yieh Phui, it added a marked-up to its purchase price when reselling the goods to Yieh Phui for the cost of bank charges and a small additional amount. The amount of the mark-up was determined by senior management but was relatively small.

We examined the allocation of zinc costs to different models. The raw material consumption report listed the volume and value of zinc used by the four galvanising lines by cost centre ([redacted] *[invoice numbers]*). Yieh Phui explained that for lines 1, 3 and 4, the total amount of zinc used was for galvanised coil. However, on line 2, [redacted] *[confidential production details]* and it had excluded the amount used in processing from the total cost applied to coated steel. The company provided us with a Work In Progress (WIP) inventory report for December 2011 (**confidential attachment CTMS16**) which showed the value of the zinc used in processing service. These costs were subsequently excluded from Yieh Phui's calculations for the goods.

The company then extracted from its system the total theoretical coating weight of the zinc coating on steel products produced on each production line during the month (**confidential attachment CTMS17**). The company used the theoretical coating weights of the different models and what proportion it was of the total coating weight produced on that production line to allocate the zinc costs to the different models. Where the same model was produced on more than one production line, the weighted average cost was calculated and applied. The same method was used to calculate the aluminium costs. These calculations are in **confidential attachment CTMS3**.

As with the HRC input costs, we could reconcile the zinc costs shown in the raw material consumption report to the raw material inventory report. Yieh Phui provided

us with invoices and proof of payment for two zinc purchases (**confidential attachment 18**). These invoices covered purchases from an unrelated supplier and [redacted] *[company]*

With reference to the selected invoice which showed the sale of zinc from [redacted] *[company]* to Yieh Phui, we asked [redacted] *[company]* to provide us with its purchase documentation for this shipment. It provided us with the original purchase invoice. We found that for this transaction, the price was marked-up by approximately [redacted]%. [redacted] *[company]* provided us with another example of a zinc purchase which it resold to Yieh Phui and in this instance the mark-up was less than [redacted]%. As zinc costs as the average proportion of the total cost to make for coated steel is less than [redacted]%, we consider that the effect of [redacted] *[company]* mark-up minuscule on the total manufacturing costs of Yieh Phui. The documents relating to [redacted] *[company]* purchase and sale of zinc is at **confidential attachment CTMS19**.

A summary of all of Yieh Phui's purchases of hot rolled coil, cold rolled coil, zinc and aluminium by month and supplier is at **confidential attachment CTMS20**.

6.3.3 Scrap

The company then explained how it calculated the scrap offset for galvanised steel and aluminium zinc coated steel. Yieh Phui first determined what income steel and zinc/aluminium scrap had generated each month during the investigation period. This income was recorded in 'other' sales in the "galvanised and pre-painted" division. It then used the WIP inventory report which listed the total scrap generated to determine the ratio of steel scrap generated at each stage of the production process. It applied these ratios to the steel scrap income to determine what scrap offset was applicable to each stage of production. A scrap offset was therefore applied to the different models produced according to what production stages they went through. For example, coated steel produced from CRC would have less scrap offset as it only went through the galvanising stage, while coated steel produced from hot rolled coil would also have steel scrap offsets from the pickling and cold rolling stages.

Yieh Phui allocated the scrap offset for zinc and aluminium on the theoretical coating weight. The calculations for scrap and the sales summary for the galvanised and pre-painted division over the investigation period are at **confidential attachment CTMS21**. The scrap offset was included in the CTMS spreadsheet.

6.3.4 Direct labour, fixed manufacturing overheads and variable manufacturing overheads

The company provided us with reports which showed the variable overheads (VOH) and fixed overheads (FOH) for December 2011 (**confidential attachment CTMS5**) by production line and account relating to the production of galvanised steel and aluminium zinc coated steel. As noted above, the totals of these reports equalled the total variable manufacturing costs (without fixed overheads allocated to idle capacity excluded – explained below) in the production cost report.

The company explained that while most of the costs in these reports were allocated to direct cost centres, some costs were also allocated to indirect cost centres (these

were grinding and other). Accordingly, the company provided us with a second set of reports for variable and fixed costs in which the costs allocated to the indirect cost centres were reallocated to direct cost centres and costs allocated to production were distinguished from those allocated to the processing service (**confidential attachment CTMS5**). The company explained that indirect grinding costs (fixing marked coils) was allocated to the direct cost centres on the basis of grinding hours and other costs were allocated on the basis of employee numbers.

The company explained that in Taiwanese general account practice (GAP), the fixed overhead costs allocated to idle capacity are excluded from the cost of goods manufactured and allocated to the cost of goods sold. As this was standard accounting procedure in Taiwan, we accepted this practice in the CTMS. The FOH report contained the allocation of costs to idle and used capacity on the basis of overall capacity usage. We noted that the excluded overhead cost accounted for less than [redacted]% of the total fixed overheads.

The company then provided us with a manufacturing overheads report (**confidential attachment CTMS6**) which consolidated the information from the FOH and VOH report into manufacturing overheads. The company also provided us with a report showing its labour costs by production line for December 2011 (**confidential attachment CTMS7**).

Yieh Phui explained that the variable overheads and labour costs were allocated to individual models by the total production hours incurred. The company provided us with a report which showed the total costs allocated to each production line for overheads and labour for each month and the total production hours on each line (**confidential attachment CTMS22**). For pickling and cold rolling, the company allocated costs to each three digit model code taking into account the time taken to produce each model, the proportion of the total time incurred by that production line and the total costs (19, 20 and 21). For galvanising costs, costs were allocated to models on the basis of the first five digits of the six digit model code (cutting and slitting was excluded), as at this stage more detail specification of the coil was evident. The company did a final set of calculations which showed the allocation of the slitting and cutting costs for those coils that were slit or cut (**confidential attachment CTMS23**). The calculations in which these steps are consolidated are at **confidential attachment CTMS24**)

The company provided us with evidence to support its allocation of costs by processing time. It provided a report for one particular three digit product code which listed the production time of each coil in that grouping. It then provided us with a print-out from its system which showed the production time a specific coil from the listing (**confidential attachment CTMS25**). This reconciled with the processing time listed in the cost allocations.

We noted that there were a few models that had particularly high overhead and labour costs and queried the company about this. After interrogating its systems, Yieh Phui explained that this was caused by this models having higher than usual processing times. It printed out the processing record for one particular model ([redacted] *[model]*) in December 2011 (**confidential attachment CTMS26**). This

showed that for one production run of the product the processing time was quite long as a result of needing to rerun the coil. We were therefore satisfied that the abnormally high costs were correct.

To verify the manufacturing costs to source documents, Yieh Phui provided us with invoices and proof of payment for two items from the variable manufacturing overhead ledgers (**confidential attachment CTMS27**). We could reconcile these invoices to the ledger and were satisfied that the information was accurate.

Yieh Phui also provided us with the accounting ledgers and assets listing for depreciation for December 2011, which we could also reconcile to the fixed overhead costs for that month (**confidential attachment CTMS28**).

6.4 Selling, general, administrative and finance expenses

6.4.1 Yieh Phui

In the response to the exporter questionnaire, we were provided with the selling expense account, the general & administrative account and the finance costs for Yieh Phui (**confidential attachment CTMS29**).

Yieh Phui explained that it allocated the selling, general and administrative expenses and finance expenses to the goods under consideration by:

- calculating what percentage of the company's revenue these costs accounted for;
- applying that percentage to the revenue from the goods; and
- applying the allocated revenue equally across all kilograms of the goods sold.

Due to the different sales revenues incurred by aluminium zinc and galvanised steel, the SG&A expenses for the two goods were slightly different.

For selling expenses, direct and indirect selling expenses for the company were identified. Only indirect selling expenses were incorporated into the SG&A costs. The direct selling expense applicable to domestic sales (domestic inland freight) and the export sales (export inland freight, handling and commission – commission was not relevant to Australian export sales) were identified separately in the domestic or export sales listing and were not included in the CTMS.

Yieh Phui then demonstrated how the total selling general and administrative expenses reconciled to the financial statements during the investigation using the 2011 financial year financial statement and the 2012 first half financial statements (which also contained the first half of 2011). We were able to reconcile the selling, general and administrative expenses to the financial statements. For the non-operating income and losses that were included in the SG&A expenses, Yieh Phui provided us with a spreadsheet which listed the accounts listed in the SG&A spreadsheet for this cost item and which item in the financial statement these costs related to (**confidential attachment CTMS30**). We were accordingly also able to reconcile this cost to the financial statements.

We were therefore satisfied that the SG&A expenses reflected those incurred by the company and that their allocation galvanised steel and aluminium zinc coated steel was reasonable.

6.4.2 Asiazone

In the exporter questionnaire response, Asiazone provided us with an income statement of the most recent financial year (2011) and the investigation period (July 2011-June 2012), which listed the selling, general and administrative expenses (**confidential attachment CTMS31**). For the 2011 financial year, we were able to reconcile the expenses listed directly to the audited financial statements (**confidential attachment CTMS32**). The company explained that it extracted the data for the investigation period directly from its trial balance.

Administrative expenses were the first item of SG&A. Asiazone provided us with an excerpt from its trial balance which showed the cost items included under this expense and reconciled the trial balance to the 2011 audited financial statements. Asiazone explained that all the administrative expenses were applicable to the goods, however, noted that bank charges (listed in the administrative accounts) were already identified in the export sales spreadsheet. Asiazone identified this item from the account listing and provided a copy of the sub-ledger which listed the bank charges incurred during the investigation period (**confidential attachment CTMS33**).

Finance expenses were also included in the SG&A which related to interest on bank borrowings and overdrafts.

Asiazone also generated other income from bank interest, dividend interest, loan interest and sundry income. It explained that it provided letter of credit guarantees for a trading company in China and this was where it generated most of this other income. It provided us with the sub-ledger showing the income it received from providing this service (**confidential attachment CMTS34**).

Finally, Asiazone also incurred losses which were its share of loss from an associate and the impairment of interests in a subsidiary. These subsidiaries were [redacted] *[company]*, a nickel mining company that started operations in October 2011 (losses were incurred on depreciate and daily maintenance) and its holding company, [redacted] *[company]*). Asiazone provided us with excerpts from its financial statements which supported this information (**confidential attachment CTMS35**). These losses were not included in the SG&A expenses as they did not relate to galvanised steel or aluminium zinc coated steel.

6.5 Costs to make and sell – preliminary assessment

We verified Yieh Phui's cost to make and sell galvanised steel and aluminium zinc coated steel and Asiazone's SG&A to source documents and to audited financial statements. As a result, we are satisfied that the information provided is accurate, relevant and complete.

We consider these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

The calculation of unit costs to make and sell for galvanised steel and aluminium zinc coated steel from Yieh Phui is contained in **confidential appendix 2**.

Asiazone's SG&A calculation is contained in **confidential appendix 4** as part of adjustments to the normal value (see section 9.6 below).

7 DOMESTIC SALES

7.1 General

Yieh Phui explained that it sold a range of galvanised steel and aluminium zinc coated steel on the domestic market in Taiwan. It explained that during the investigation period demand had been weak and there had been an oversupply of steel resulting in relatively low prices. It considered its main competition in the domestic market to be imports from China but it also noted competition from Taiwanese companies [redacted] *[companies]*.

The majority of prime coated steel Yieh Phui sold was for the construction market. Yieh Phui explained that it also sold a significant portion of non-prime coated steel on the domestic market. However, we found that [redacted]% of aluminium zinc coated steel and [redacted]% of galvanised steel sold domestically was non-prime. Product could be deemed down grade for a range of reasons including damaged coil and overruns (resulting in small coils). Yieh Phui explained that it preferred not to sell down grade pipe under its own name and accordingly sold the majority of its downgrade to a related company [redacted] *[company]*. It still sold some downgrade directly to other customers but these were companies that had a long term relationship with Yieh Phui and/or who had equipment that could process smaller coils.

Yieh Phui explained that it produced the majority of its domestic sales of coated steel to order but maintained a small inventory of the more common grades sold. The inventory was stocked when the volume of orders was low to ensure continuous production.

7.2 Levels of trade

In its response to the exporter questionnaire, Yieh Phui identified three groups of customers; distributor, end users and trader. Only distributors and end users purchased prime coated steel during the investigation period.

Yieh Phui stated that domestic selling prices do not vary by distribution channel, rather prices are based on other factors, such as its internal price reference, the quantity purchased, stock levels and production capacity on a transaction by transaction basis.

Yieh Phui stated that customers that purchases higher volumes of galvanised steel and/or aluminium zinc coated steel can negotiate lower prices and that the customer's level of trade of the have no influence over the price. To verify this, we undertook an analysis by customer type, and found that on average, the price to distributors was higher than the price to end users. However, we note that the quantities purchased by end users were significantly higher than distributors. We found within the distributor category, customers that purchased a large volume of coated steel had similar prices to end-users.

7.3 Sales to related parties

In its exporter questionnaire response Yieh Phui identified related customers as follows:

- [redacted] *[company]* (sales of downgrade);
- [redacted] *[company]* (for internal maintenance use); and
- [redacted] *[company]* (a distributor);

As noted above, sales to [redacted] *[company]* were of downgrade to be resold under a different company name. Sales to [redacted] *[company]* were for its own internal maintenance use. [redacted] *[company]* purchased prime coated steel for resale but Yieh Phui was not its exclusive supplier and it operated independently purchasing from whichever supplier was most competitive.

Yieh Phui advised that domestic sales to affiliated customers were arm's length transactions and the prices were reflective of market prices.

Our analysis indicates that the weighted average selling price of prime galvanised steel and aluminium zinc coated steel to affiliated parties was [redacted]% and [redacted]% respectively higher than to unrelated customers (**confidential attachment DOM1**). We consider that the sales to affiliated parties are not influenced by the relationship between the parties as the higher price results from the small volume purchases.

7.4 Domestic sales process, pricing and terms

7.4.1 General

Yieh Phui explained that the sales process of galvanised steel and aluminium zinc coated steel for its domestic customers is as follows:

- customers inquire as to the current price.
- Yieh Phui's sales team provides prices and Yieh Phui and the customer negotiate on the price;
- a preliminary price would be agreed and production for the goods would commence;
- once production is finished, delivery or pick-up is arranged based on the sales terms negotiated; and
- a Government Uniform Invoice (GUI) is issued to the customer prior to shipment and payment is L/C or T/T prior to shipment.

Yieh Phui stated that, unlike export sales which uses price extras, domestic sales of galvanised steel and aluminium zinc coated steel are negotiated individually. Reference is only made to price extras for [redacted] *[pricing details]*. Also unlike export sales, Yieh Phui explained that the price payable for galvanised steel and aluminium zinc coated steel on the domestic market may not be settled at the time of order and when production is started. Rather, the price will be finalised when the invoice is issued and payment is due prior to shipment.

7.4.2 Delivery terms

Yieh Phui stated that the customer has a choice whether to purchase the goods ex-warehouse or free-into-store and this is reflected in the price of the galvanised steel and aluminium zinc coated steel.

7.4.3 Payment terms

Yieh Phui explained that the payment terms for its domestic sales are the same for export sales, that is by a L/C or T/T transfer prior to delivery.

7.5 Verification of domestic sales up to the audited financial statements

In Yieh Phui's exporter questionnaire response, it provided detailed domestic sales spreadsheets listing its sales of galvanised steel and aluminium zinc coated steel in Taiwan.

As discussed in section 5.2 above, we were able to reconcile Yieh Phui's sales report summary (confidential attachment EXP1) to audited financial accounts. We then sought to reconcile it to the domestic sales spreadsheets. Yieh Phui explained that in order to reconcile the domestic sales, we need to subtract the revenue and volume from the sales of aluminium zinc coated steel with a width of less than 600mm from the sales report, and add sales of the goods that were recorded as a raw material (code G99) in the sales system. Yieh Phui also provided us with a listing of its domestic sales transaction of aluminium zinc coated steel with a width of less than 600mm to support its calculations (**confidential attachment DOM2**). After undertaking these calculations, the amount matched the total gross sales value and volume in the domestic galvanised steel and aluminium zinc coated steel spreadsheets.

7.6 Verification of domestic sales down to source documents

Prior to the visit, we selected 12 galvanised steel and 10 aluminium zinc coated steel domestic sales from the detailed domestic sales spreadsheet and requested that Yieh Phui provide source documents in relation to each invoice.

For each selected invoice, the Yieh Phui provided copies of the following documents during the visit:

- Internal order memo;
- Commercial invoice;
- Shipping notice;
- Packing list;
- Proof of payment;
- Rebate documentation; and
- Inland transport documents.

We were then able to match the sales information in the source documents to the data contained in the detailed sales spreadsheet. The source documents, including proof of payment, of the selected sales are at **confidential attachment DOM3**.

7.6.1 Rebates

As discussed in section 5.2.3 above, Yieh Phui stated that rebates were provided to certain domestic customers. It advised that rebates were only given for prime products. For all the selected invoices that Yieh Phui claimed it provided a rebate, it provided us with the accounting voucher, rebate certificate and the relevant accounts ledger. From the rebate certificate, we were able to match the invoice number and the total rebate amount to the rebate amount shown in the domestic sales spreadsheet.

7.6.2 Inland transport

Similar to export sales in section 5.3.2 above, Yieh Phui provided one shipping notice for each invoice. For those domestic sales that were delivered by truck to the customer, Yieh Phui provided inland transport documentation relating to that shipping notice including relevant accounting entry vouchers, the commercial invoice and proof of payment. We note that the inland transport provider for domestic sales is also [redacted] *[company]*. As with inland transport of export sales, the unit price shown on the shipping notice was applied to the transaction. For all of the selected invoices, we were able reconcile the amount shown on the domestic sales spreadsheet to these source documents.

7.6.3 Warranty expense

For one of the selected sales invoices ([redacted] *[invoice number]*), there was a claim of a warranty expense. For that invoice, Yieh Phui provided a customer claim notice as part of the sales document package and we were able to reconcile the amount shown on the claim notice to the domestic sales spreadsheet. We note that there were only a small number of sales that had warranty expenses (than [redacted]% of domestic sales by volume for both galvanised steel and aluminium zinc coated steel.)

7.6.4 Packaging

Yieh Phui advised that it calculated packaging expenses for its domestic sales using the same methodology as for its exports sales (see section 5.3.9 above), that is based on the packaging code recorded against each coil and allocating the unit packaging costs for that packaging code to that transaction. Using the same procedure as export sales, we were able to reconcile the packaging costs shown in the domestic sales spreadsheet.

7.7 Arms length

In respect of Yieh Phui's domestic sales of galvanised steel and aluminium zinc coated steel, including sales to related parties (see section 7.3 above), we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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.

We did find evidence in the context of a rebate system that the buyer, related and unrelated, will, subsequent to the purchase or sale, be reimbursed, in respect of part of the price. However, having regard to the established trading practices in relation to rebates, and the fact that these rebates have been accurately quantified, we consider such reimbursements do not affect the arms length nature of the transactions.

We therefore consider Yieh Phui domestic sales of galvanised steel and aluminium zinc coated steel are arm's length transactions.

7.8 Ordinary course of trade

Section 269TAAD 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, they are taken not to have been paid in the ordinary course of trade (OCOT).

In order to test whether the domestic sales are in the OCOT, we first tested the profitability of each transaction individually by comparing the unit selling price (less rebates, packaging, inland transport and warranty expenses) to the corresponding quarterly weighted average CTMS for each model based on the 6 digit code (see section 4.2.1). For those sales found to be sold at a loss, we then tested its recoverability by comparing the unit selling price to the weighted average CTMS of the relevant finish over the whole of the investigation period.

We undertook this test for each 6 digit model code individually and where the volume of unrecoverable sales exceeds 20%, the unrecoverable sales for those 6 digit model codes were deemed not to be made in the ordinary course of trade (OCOT). Of [redacted] *[number]* different 6 digit model codes for galvanised steel, [redacted] *[number]* models had unrecoverable sales exceeding 20%. For the 55% aluminium zinc coated steel, [redacted] *[number]* out of [redacted] *[number]* models had unrecoverable sales exceeding 20%

There were no domestic OCOT sales of 5% aluminium zinc coated steel.

7.9 Model matching and suitability of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

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

When selecting a domestic model to match with the export model, we only selected those that had sufficient quantities of domestic sales made in the ordinary course of trade. We only used prime products and predominately matched by thickness then adjusted for the base metal thickness and coating mass (see section 9.7 below). Where there were no sufficient OCOT domestic sales of the equivalent thickness in that quarter, then we matched similar model with sufficient volume.

In relation to the width of the galvanised steel and aluminium zinc coated steel, our analysis of export sales indicated that width had no significant bearing on selling prices (**confidential attachment DOM4**).

7.10 Domestic sales – preliminary assessment

We found a sufficient volume of galvanised steel and 55% aluminium zinc coated steel sales in the domestic market that were arms length transactions and sold at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily. There were no domestic sales of 5% aluminium zinc coated steel sold in the OCOT.

Based on the information provided and the verification processes conducted on site, we are satisfied that prices paid in respect of Yieh Phui's domestic sales of galvanised steel and 55% aluminium zinc coated steel may be suitable for assessing normal value under section 269TAC(1).

As there were no OCOT domestic sales of 5% aluminium zinc coated steel, we consider that there were no suitable domestic sales of 5% aluminium zinc coated steel for assessing normal value under section 269TAC(1).

The domestic sales spreadsheets, including OCOT tests, are at **confidential appendix 3**.

8 THIRD COUNTRY SALES

In its exporter questionnaire response, Yieh Phui provided a summary its galvanised steel and aluminium zinc coated steel export sales to third countries.

As we considered that we were in possession of enough verified information from the submission and our visit to calculate normal values for coated steel using domestic sales or a construction method, we did not undertake detailed verification of the third country data.

9 ADJUSTMENTS

9.1 General

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made:

9.2 Domestic inland freight

We consider a downward adjustment for the domestic inland freight expenses in the normal value calculation is required to ensure fair comparison to export price. In the domestic sales spreadsheet, where applicable, the cost of freight was identified for each transaction (see section 7.6.2 above).

Where sales were delivered, we deducted the amount for inland freight from the net invoice value, to determine an ex-works (EXW) price and this amount was adjusted downwards for the normal value.

9.3 Domestic packaging

We consider a downward adjustment for the domestic packaging expenses in the normal value calculation is required to ensure fair comparison to export price. In the domestic sales spreadsheet, the cost of the actual domestic packaging for each transaction was identified (see section 7.6.4 above) and this amount was adjusted downwards for the normal value.

9.4 Domestic warranty expenses

We consider a downward adjustment for the domestic warranty expenses in the normal value calculation is required to ensure fair comparison to export price. In the domestic sales spreadsheet, where applicable, the cost of warranty was identified where applicable for each transaction (see section7.6.2 above) and this amount was adjusted downwards for the normal value.

9.5 Direct export expenses

We consider an upward adjustment for direct export expenses in the normal value calculation is required to ensure fair comparison to export price. The relevant direct export expenses are:

- Export packaging costs (section 5.3.9 above);
- Inland freight charges (section 5.3.2 above);
- Brokerage charges (section 5.3.3 above);
- Trade promotion fee (section 5.3.4 above);
- Harbour construction fee (section 5.3.5 above);
- Cargo certification fee (section 5.3.6 above);
- Warehousing fee (section 5.3.7 above); and
- Cargo loading fee (section 5.3.8 above).

We calculated a quarterly weighted average direct export expense for each export model and applied this amount to the corresponding normal value.

9.6 SG&A

For the export sales that are sold through Asiazone, we consider an upward adjustment for Asiazone's SG&A in the normal value calculation is required to ensure fair comparison to export price. We calculated an SG&A based on the administrative and finance expenses shown on Asiazone's income statement (section 6.4.2 above) and note that bank charges are already included in the SG&A amount.

We did not include Asiazone's other income and losses in the SG&A calculation as it does not directly or indirectly relate to Asiazone's business of supplying the goods to its Australian customer.

9.7 Grade, finish and coating mass adjustments

As discussed in section 7.9 above, for each export model, we selected the closest like model that had sufficient OCOT sales. However, where the exact base metal thickness and/or coating mass did not match, we made adjustments based on Yieh Phui's domestic prices extras (**confidential attachment ADJ1**).

9.8 Adjustments – Conclusion

We are satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with s. 269TAC(8) or (9) of the Act (as appropriate), and we consider these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic inland freight	**Deduct** the actual cost of inland freight where applicable.
Domestic packaging	**Deduct** the actual cost of packaging.
Domestic warranty expenses	**Deduct** the actual cost of warranty expenses where applicable.
Direct export expenses	**Add** the quarterly weighted average direct export expenses.
SG&A	**Add** an amount for [redacted] *[export SG&A according to sales route]*
Grade, finish and coating mass	**Add or deduct** amounts for differences in base metal thickness and/or coating mass

10 NORMAL VALUE

We found sufficient volumes of domestic sales of galvanised steel and 55% aluminium zinc coated steel by Yieh Phui that were arms length transactions and at prices that were in OCOT. Therefore, we are satisfied that prices paid in respect of domestic sales of galvanised steel and 55% aluminium zinc coated steel are suitable for assessing normal values under s. 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, we consider that certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in section9 above.

In relation to 5% aluminium zinc coated steel, we found that there were no domestic sales at prices that were in OCOT. Therefore, we ascertained normal value under section 269TAC(2)(c) by constructing the normal value using verified CTMS data plus a profit in accordance with Customs Regulation 181A(2) being the weighted average profit of only the profitable aluminium zinc coated sales over the investigation period.

Detailed normal value calculations with adjustments are at **Confidential Appendix 4**.

11 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We compared the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average product margin, for galvanised steel and aluminium zinc coated steel exported to Australia by Yieh Phui is 2.6% and 3.3% respectively.

Details of the dumping margin calculations are at **confidential appendix 5**.

12 COMMENTS

12.1 Aluminium zinc coated steel

Yieh Phui argued that BlueScope did not produce a 5% aluminium zinc coated product and therefore its 5% aluminium zinc coated steel should be excluded from the scope of the investigation.

Yieh Phui explained that 5% aluminium zinc coated steel was used for floor decking. Prior to the development of this product, ZN350 galvanised steel was used. However, 5% aluminium zinc coated steel was now approved for use in the Australian standards.

It argued that the price differences between 55% and 5% aluminium zinc coated steel meant that the two products did not compete. Only if the price was not an issue could the two products be considered comparable. It noted that stainless steel was actually the preferred product to be used in floor decking, but due to its expense, it was not used and was not considered to be a market competitor to galvanised steel and aluminium zinc coated steel. In a similar way, 5% aluminium zinc coated steel should not be considered a market competitor to 55% aluminium zinc coated steel. Yieh Phui stated it would provide a submission on this issue.

12.2 Galvanised steel and aluminium zinc coated steel

Yieh Phui also noted that BlueScope did not produce the colour range of tinted steel that it produced. It noted that BlueScope could only produce double sided blue tinted steel. It, on the other hand, could produce a range of colours and offered either single or double sided tints. It also offered environmentally friendly finishes which BlueScope didn't offer. It explained that automotive manufacturers required environmentally friendly steel if they were to export their finished products to Europe.

13 LIST OF APPENDICES AND ATTACHMENTS

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