



INVESTIGATION 370

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

AND

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

VISIT REPORT - EXPORTER

HOA SEN GROUP (HSG)

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

FEBRUARY 2017

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1 BACKGROUND

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

The Anti-Dumping Commission (the Commission) notified the Hoa Sen Group (HSG) of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire. HSG had been identified as an exporter in the Australian Border Force (ABF) import database.

HSG submitted the completed exporter questionnaire response (REQ) and relevant attachments on 15 November 2016.

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

² EPR 370/002 refers.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period HSG exported galvanised steel to Australia in coil, sheet and strip form. The exported galvanised steel had a range of structural grades, base metal thicknesses and coating masses.

2.2 Like goods sold on the domestic market

During the investigation period HSG sold galvanised steel in coil, sheet and strip form to domestic customers in Vietnam. The galvanised steel sold domestically had a range of structural grades, base metal thicknesses and coating masses.

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

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

2.3 Model matching

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

- Hot rolled versus cold rolled substrate;
- Steel grade category;
- Coating mass; and
- Base metal thickness.

2.4 Like goods – preliminary assessment

The verification team considers that galvanised steel produced by HSG for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).³

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

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

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

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

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of HSG's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were amendments to the Australian sales listing relating to bank charges and exchange rates.

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

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

3.2.1 Bank charges

The verification team noted that HSG did not disclose any bank charges in its export sales listing, however, the credit advice documentation contained within the selected sales sample documentation bundles indicated that for sales at LC payment terms charges were incurred by HSG.

HSG provided an amended Australian sales listing detailing the bank charges relating to each transaction. The verification team was able to verify that the amounts detailed on the amended Australian sales listing reconciled to the credit advice documentation.

3.2.2 Exchange rates

HSG advised that the Australian sales listing was populated with exchange rate data corresponding to the customs declaration forms provided. Although the verification team successfully matched the rates in the export sales listing to the corresponding customs declaration forms, the verification team considers that, taking into account subsection 269TAF(1) of the Act, historical daily exchange rates would best establish the material terms of the sale of the exported goods. The verification team amended the Australian sales listing to apply exchange rates applicable on the date of the commercial invoice issued to the Australian customer.

3.3 The exporter

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

3.4 The importer

With the exception of one customer listed on the Australian sales listing, the visit team considers that HSG's Australian customers are the beneficial owners of the goods at the time of importation, and are therefore the importers of the goods exported by HSG during the investigation period.

In regards to one customer listed on the Australian sales listing, the verification team noted that the listed customer is not based in Australia, and further that a third party located in Australia is identified as the consignee on the bills of lading. HSG advised that it negotiates directly with the customer listed on the Australian sales listing, however the goods are ultimately onsold by that entity to the Australian based third party. As a result, the verification team does not consider the customer listed on the Australian sales listing to be the beneficial owner of the goods at the time of importation, but rather the Australian based third party. The verification team therefore considers that the Australian based entity to be the importer of the goods.

3.5 Related party customers

The verification team did not identify any Australian customers that were related to HSG based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arm's length

In respect of Australian sales of galvanised steel made by HSG to its customer or Australian importer during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁵

⁴ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁵ Section 269TAA of the Act refers.

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

3.7 Export price – preliminary assessment

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

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

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

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

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

4.2 Verification of costs to source documents

The verification team verified the accuracy of HSG's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were amendments to the CTMS spreadsheet relating to selling, general and administrative (SG&A) costs.

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

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

4.2.1 Selling, general and administrative costs

HSG provided a supplementary spreadsheet to the income statement provided with the exporter questionnaire response detailing its allocation of SG&A expenses. The verification team noted that many cost items had no allocation made to export sales. HSG provided a revised SG&A spreadsheet reallocating SG&A costs between domestic and export sales based on the division of staff between export and domestic sales functions. The verification team considered this to be a reasonable basis for the reallocation of SG&A costs. HSG provided a revised CTMS spreadsheet to reflect this reallocation.

4.3 Related party purchases

The verification team identified HSG's related party suppliers of raw materials.

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

4.4 Cost to make and sell – summary

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

HSG's amended CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of HSG's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues.

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

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of HSG's sales listing by matching the details to selected source documents in accordance with ADN. No 2016/30. The verification team did not identify any issues.

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

5.3 Related party customers and level of trade

HSG's domestic sales listing identified sales to two levels of trade, subsidiaries (related parties) and end users.

In relation to subsidiary sales, HSG demonstrated that the subsidiaries purchasing the galvanised steel were further processing it for sale within the domestic market as building products that no longer met the goods description.

In relation to domestic end user sales, HSG demonstrated that these fall into two categories – sales to end users through the branch network and sales directly to end users. The domestic sales listing did not however identify which category each transaction fell into.

As a result of the these issues, the verification team did not consider the data as presented by HSG in the original domestic sales listing appropriate for calculating normal values. To that end the verification team requested HSG provide a line-by-line listing of all domestic sales of galvanised steel made by its 15 largest branches to unrelated customers in the domestic market.

From this revised listing the verification team determined that the Di An branch was by far the largest branch by volume of sales. HSG also confirmed that Di An was a warehouse facility and as such all galvanised steel sold from this branch would continue to meet the goods description as it entered the domestic market.

As such the verification team considered that domestic sales of galvanised steel by the Di An branch were appropriate for calculating normal values.

5.4 Arm's length

In respect of domestic sales of galvanised steel made by HSG to its unrelated customers during the review period, the verification team found no evidence that:

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

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

5.5 Ordinary course of trade

Section 269TAA provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of galvanised steel for the Di An branch⁶ to the corresponding CTMS, composed of the Cost of Goods Sold (COGS) for that transaction as detailed in the revised domestic sales listing, plus a cost to sell (CTS) amount calculated by taking the domestic unit CTS for the relevant quarter and multiplying it by the number of kilograms for that transaction.

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

5.6 Suitability of domestic sales

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

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient domestic sales volume made by HSG's Di An branch in OCOT for a number of identical models exported to Australia during the investigation period.

For those models where there were insufficient domestic sales made in OCOT, the verification team constructed a normal value under section 269TAC(2)(c) using the cost to

⁶ Refer discussion at Section 5.3 regarding use of Di An branch sales.

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make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

The profit has been calculated by comparing the price of domestic sales of like goods with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT⁷.

5.7 Domestic sales – summary

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

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

⁷ Section 45(2) of the *Customs (International Obligations) Regulation 2015*

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8) and 269TAC(9).

6.1 Domestic credit terms

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

6.2 Domestic inland freight

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

6.3 Export inland freight

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

6.4 Export handling

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

6.5 Export packaging

The verification team considers that an upward adjustment to the normal value for export packaging expenses is required. The verification team has applied this adjustment based on the weighted average cost for those expenses over the investigation period.

6.6 Export bank charges

The verification team considers that an upward adjustment to the normal value for export bank charges is required. The verification team has applied this adjustment based on the weighted average cost for those expenses over the investigation period.

6.7 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Domestic credit	Deduct the cost of domestic credit
Domestic inland freight	Deduct the cost of domestic inland freight
Export inland freight	Add the cost of export inland freight
Export handling	Add the cost of export handling
Export packaging	Add the cost of export packaging
Export bank charges	Add the cost of export bank charges

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

7 NORMAL VALUE

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

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

The visit team noted there were quarters where no domestic sales were recorded for certain base models, and so the team did not possess a weighted average normal value for the exported Australia model in those circumstances. In these cases, the weighted average normal value from the earlier or later quarter has been used as the base for normal value, with a timing adjustment applied based on the price movement between quarters for all sales combined.

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

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

8 DUMPING MARGIN

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

The preliminary dumping margin in respect of goods exported by HSG for the investigation period is negative 0.7%.

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

9 SUBSIDIES

9.1 Preferential tax programs

In its response to the exporter questionnaire, HSG declared that it did not receive any government benefits under preferential tax programs.

The verification team found no evidence that HSG was in receipt of benefits under any preferential tax programs.

9.2 Grants and other assistance programs

In its response to the exporter questionnaire, HSG declared that it did not receive any government benefits under any assistance programs during the investigation period.

During the verification, the verification team did not identify any payments received from any level of government in Vietnam.

9.3 Preferential loans

The verification team verified the status of the loans declared in the exporter questionnaire by reconciling them to HSG's loan books.

The verification team verified the accuracy of the loans by making a selection of loans and reconciling the details to source documents.

The verification team is satisfied that HSG did not receive any benefit from preferential loans during the investigation period.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments