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

DUMPING MARGIN CALCULATION

TA FONG STEEL CO. LTD

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER PROTECTION

March 2013
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2 BACKGROUND

2.1 Applications

On 3 August 2012, an application\textsuperscript{1} was lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice 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.

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

On 17 August 2012\textsuperscript{2} and 27 August 2012 additional information and data were received in respect of the application. 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 application and initiated an investigation into the alleged dumping of galvanised steel exported from China, Korea and Taiwan.Public notification of initiation of the investigation was published in \textit{The Australian} on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigation and is available at \url{www.customs.gov.au}.

2.2 Background

Following initiation of the investigation, a search of Customs and Border Protection’s import database indicated that Ta Fong Steel Co. Ltd (Ta Fong) supplied galvanised steel from Taiwan to Australia in the period 1 July 2011 to 30 June 2012 (the investigation period).

Customs and Border Protection notified Ta Fong of the initiation of the investigation and sought its cooperation with the investigation and provided an exporter questionnaire in respect of galvanised steel for the company to complete. The company completed the exporter questionnaire and the non-confidential version of the questionnaire response is available on the public record.

2.3 Purpose of this report

Based on the volume of Ta Fong’s exports relative to the total export volume during the investigation period a decision was made not to conduct an on-site verification visit at Ta Fong’s premises.

\begin{flushleft}
\footnotesize\textsuperscript{1} Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan (Galvanised Steel Application) received on 3 August 2012.
\textsuperscript{2} Additional information relating to minor issues was also provided on 20 and 21 August 2012.
\end{flushleft}
The purpose of this report is to assess Ta Fong’s exporter questionnaire responses and to make a preliminary assessment of:

- who is the exporter and who is the importer;
- export prices and normal values; and
- dumping margins.

### 2.4 Company background

According to the exporter questionnaire response, Ta Fong is owned by private individuals.

Ta Fong is a steel manufacturer producing slitted strip coils, steel sheets and welded pipes.

Ta Fong carries out all activities itself, including manufacture and domestic and export sales.

### 2.5 Accounting

The exporter questionnaire responses state that Ta Fong’s financial accounting period is from 1 January to 31 December. Ta Fong provided copies of its chart of accounts and annual reports.

The exporter questionnaire responses also state that the financial accounting practices and policies used by Ta Fong are in line with the generally accepted accounting principles in China.
3 GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods the subject of the applications

3.1.1 Description

The imported goods the subject of the 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”.

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;
- “ZINCINITEN®” 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.

3.1.2 Product standards

The application 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”.

- (i) Australia

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3 Galvanised Steel Application, page 10.
4 Galvanised Steel Application, page 12.
The application states that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel is category 2711.

- (ii) International

The application states that there are a number of relevant International Standards for galvanised steel products (figure 1 refers) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

<table>
<thead>
<tr>
<th>International Standards</th>
<th>Product Grade Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS/NZS 1397</td>
<td>GL, G2</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>CS type A, B and C</td>
</tr>
<tr>
<td>EN10346</td>
<td>DX51D, DX52D</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGCC, SGHC</td>
</tr>
<tr>
<td>Forming, Pressing &amp; Drawing Grades</td>
<td></td>
</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G3</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>FS, DS type A and B</td>
</tr>
<tr>
<td>EN10346</td>
<td>DX53D, DX54D</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGCD, SGCD0</td>
</tr>
<tr>
<td>Structural Grades</td>
<td></td>
</tr>
<tr>
<td>AS/NZS 1397</td>
<td>G250, G300, G350, G450, G500, G550</td>
</tr>
<tr>
<td>ASTM A 653/A 653M</td>
<td>33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)</td>
</tr>
<tr>
<td>EN10346</td>
<td>S220GD, S250GD, S280GD, S320GD, S350GD, S550GD</td>
</tr>
<tr>
<td>JIS 3302</td>
<td>SGC340, SGC400, SGC440, SGC490, SGC570, SGH340, SGH400, SGH440, SGH490, SGH570</td>
</tr>
</tbody>
</table>

Figure 1: International Standards for galvanised steel

3.1.3 Tariff classifications

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 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).

<table>
<thead>
<tr>
<th>TC No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC 0939596</td>
<td>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%;</td>
</tr>
</tbody>
</table>

5 Galvanised Steel Application, page 11.
Zinc coated (galvanised) steel

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 application 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.

3.2 Like goods

Subsection 269T(1) defines like goods to mean:

Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

Ta Fong’s exporter questionnaire responses provide details of the models of galvanised steel exported to Australia by Ta Fong and sold domestically in Taiwan by Ta Fong. The models have been grouped into two broad categories – galvanised sheet and galvanised strip coil.

It appears that the galvanised steel sold in the domestic market are either identical or have characteristics closely resembling the goods exported to Australia.

3.2.1 Like goods – preliminary assessment

The galvanised steel produced and sold domestically by Ta Fong have characteristics closely resembling those of the goods exported to Australia by Ta Fong and are therefore “like goods” in terms of subsection 269T(1).
4  EXPORT SALES TO AUSTRALIA

4.1  General

From its questionnaire response, it appears that galvanised steel manufactured by Ta Fong is sold by Ta Fong to unrelated customers in Australia. Ta Fong provided a spreadsheet containing a detailed listing of all export sales to Australia. It also provided the following source documents of two export transactions:

- Price offer;
- Order;
- Commercial invoice;
- Packing list;
- Bill of lading;
- Customs clearance documents;
- Inland transport; and
- Evidence of receipt of payment.

4.2  The exporter

It appears that Ta Fong is the exporter of galvanised steel exported to Australia from Taiwan as Ta Fong:

- is the manufacturer of the goods;
- owned the goods at the time of export;
- is the principal in the transaction located in the country of export from where the goods were shipped; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods.

4.3  The importer

It appears that the Australian customer of Ta Fong 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.

Ta Fong’s customer purchases galvanised steel at free-on-board (FOB) terms and therefore arrange and pay ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they’re delivered to the Australian port. Ta Fong’s customer is also named as the consignee and/or the notify party on the bill of lading.

4.4  Export price – preliminary assessment

It appears that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter. Therefore, the export price has been determined under s. 269TAB(1)(a) using the invoiced price by
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Ta Fong 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.

The weighted average quarterly FOB export price in USD is summarised in the table below:

<table>
<thead>
<tr>
<th>USD/MT</th>
<th>Sep 11</th>
<th>Dec 11</th>
<th>Mar 12</th>
<th>Jun 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galvanised Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of the export price calculations and summary export prices are at confidential appendix 1.
5 COSTS TO MAKE & SELL

In its exporter questionnaire response, Ta Fong provided a cost to make and sell spreadsheet for galvanised steel. The spreadsheet shows quarterly costs data for each model sold domestically and exported to Australia.

In calculating domestic selling costs, Ta Fong deducted export expenses from the selling, general and administration expenses.

The calculation of unit costs to make and sell for galvanised steel from Ta Fong is contained in confidential appendix 2.
6 DOMESTIC SALES

6.1 General

In its exporter questionnaire response, Ta Fong provided a spreadsheet containing detailed sales of galvanised steel in the domestic market.

Ta Fong states that it does not sell to any related parties in the domestic market. We note that the spreadsheet of domestic sales contains the customer names in Taiwanese only so we are unable to confirm whether any customers appear to be related. However, the list of Ta Fong’s significant shareholders provided with the questionnaire shows that they are all individuals, so we consider it reasonable to assume that Ta Fong’s domestic customers are not related entities.

6.2 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, the profitability of each arm’s length transaction was first tested individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model. For those sales found to be sold at a loss, its recoverability was then tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period.

This test was undertaken for each model individually and where the volume of unrecoverable sales exceeds 20%, the unrecoverable sales for those models were deemed not to be made in the OCOT.

6.3 Domestic sales – preliminary assessment

There were sufficient volumes of domestic sales of galvanised steel by Ta Fong that were arm’s length transactions and at prices that were in OCOT.

Based on the information provided, Ta Fong’s domestic sales of galvanised steel is be suitable for assessing normal value under section 269TAC(1).

The domestic sales spreadsheet, including OCOT test, is at confidential appendix 3.
In its exporter questionnaire response, Ta Fong provided a summary its galvanised steel export sales to third countries.

There is sufficient information from the submission to calculate normal values for galvanised steel using domestic sales or a construction method.
8 ADJUSTMENTS

8.1 General

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

8.2 Domestic inland transport

A downwards adjustment for domestic inland transport costs was applied to the normal value using the weighted average domestic inland transport costs over the investigation period.

8.3 Domestic credit terms

As the credit terms for domestic sales ranged between 30 and 90 days, a downwards adjustment for domestic credit terms was applied to the normal value. The interest rate was calculated based on Ta Fong’s interest expense as a proportion of its loans as reported in its 2011 audited financial statement.

8.4 Export credit terms

No adjustments were made for export credit terms as all sales are made on by telegraphic transfer.

8.5 Export inland transport

An upwards adjustment for export inland transport costs was applied to the normal value using the weighted average export inland transport costs over the investigation period.

8.6 Export handling

An upwards adjustment for export handling costs was applied to the normal value using the weighted average export handling costs over the investigation period.

8.7 Export expenses

Ta Fong was able to isolate export expenses from its selling, general and administration expenses. The amount for export expenses was calculated as a proportion of export sales over the investigation period and an upwards adjustment applied to the normal value.
8.8 Adjustments – Conclusion

In accordance with s. 269TAC(8), these adjustments are necessary to ensure a fair comparison of normal values and export prices:

<table>
<thead>
<tr>
<th></th>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic inland transport</td>
<td>Deduct</td>
<td>an amount for domestic inland transport costs.</td>
</tr>
<tr>
<td>Domestic credit terms</td>
<td>Deduct</td>
<td>an amount for domestic credit terms.</td>
</tr>
<tr>
<td>Export inland transport</td>
<td>Add</td>
<td>an amount for export inland transport costs.</td>
</tr>
<tr>
<td>Export handling</td>
<td>Add</td>
<td>an amount for export handling costs.</td>
</tr>
<tr>
<td>Export expenses</td>
<td>Add</td>
<td>an amount for export expenses.</td>
</tr>
</tbody>
</table>
There were sufficient volumes of domestic sales of galvanised steel by Ta Fong that were arm’s length transactions and at prices that were in OCOT. Therefore, prices paid in respect of domestic sales of galvanised steel are suitable for assessing normal values under s. 269TAC(1).

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

A summary of normal value calculations is at confidential appendix 4.
In calculating the dumping margin, each export transaction was compared with the corresponding quarterly normal value for the corresponding model of galvanised steel. The weighted average product dumping margin for galvanised steel is -8.6%. A summary of the dumping margin calculation is at confidential appendix 5.
# LIST OF APPENDICES AND ATTACHMENTS

<table>
<thead>
<tr>
<th>Confidential Appendix 1</th>
<th>Export price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidential Appendix 2</td>
<td>Cost to make and sell</td>
</tr>
<tr>
<td>Confidential Appendix 3</td>
<td>Domestic sales</td>
</tr>
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<td>Confidential Appendix 4</td>
<td>Normal values</td>
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<td>Confidential Appendix 5</td>
<td>Dumping margin</td>
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