Australian Government
Department of Industry, Science and Resources

Anti-Dumping Commission

Exporter verification report

Verification and case details

Initiation date	9 May 2024	**Anti-Dumping Notice (ADN)**	2024/029
Case number	643		
The goods under consideration	Rod in Coil		
Case type	Anti-circumvention		
Exporter	Beijing Xingtai Steel Mesh & Technology Development Co., Ltd.		
Location	Virtual verification		
Verification date	7 May 2025	to	8 May 2025
Review period	1 April 2023	to	31 March 2024

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

Contents

Introduction

Beijing Xingtai Steel Mesh & Technology Development Co., Ltd. (Xingtai) submitted data to the Anti-Dumping Commission (the commission) in response to an exporter questionnaire in relation to anti-circumvention case number 643 (case 643) into rod in coil (RIC) exported from the People's Republic of China (China).

The commission has verified whether certain data Xingtai submitted is complete, relevant and accurate for use in case 643. Anti-Dumping Notice (ADN) 2016/30 describes the commission's verification procedure.

This report explains the commission's key findings, including the evidence considered and material issues identified. Where Xingtai or the commission materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for case 643.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901 (Cth)* (the Act).[1]

[1] All legal citations in this report are to the Act unless otherwise stated.

1 Company background

1.1 Corporate structure and ownership

Xingtai was founded in 2002 with its focus on export markets in North America, South America, Africa, Oceania, Southeast Asia, Eastern Asia, the Middle East, Eastern Europe and Western Europe.

Xingtai confirmed that it produces the following products:

- various specifications of cold-rolled or hot-rolled reinforcing mesh
- heat-shrinkable insulation casing steel bars
- other related products (reinforcement bar, welded fabric, welded mesh, wire coil, deformed steel bar).

Besides reinforcement mesh Xingtai also had low-volume sales of semi-finished goods including ribbed cold rolled coils, ribbed straight bars and spare parts in the review period (1 April 2023 to 31 March 2024).

1.2 Related parties

The commission examined the relationships between Xingtai and the parties involved in it producing or selling the goods.

At the top of the group's structure sit 3 companies:

- Hebei Jianen Trading Co., Ltd.
- Xingtai Precision Steel Wire Rod Holding Limited
- Xingtai Jinglin Trading Co., Ltd.

These companies together own Xingtai Iron & Steel Corp., Ltd., under which Xingtai sits alongside 6 other entities. Details of each entity's business scope were provided by Xingtai.

Xingtai also owns (the similarly named) Beijing Xingtai Steel Weldmesh & Technology Co. Ltd. Although this entity was set up to sell concrete structural steel and various other steel and construction components, the exporter confirmed and provided evidence that the entity was established on 20 July 2023 but to date does not employ any staff or carried out any manufacturing or sales activities.

1.2.1 Related suppliers

Xingtai identified one related supplier, Xingtai Jianlin & Xtsteel Technology Co., Ltd. (Xingtai Jianlin).[2] This related entity produces and sells the goods to Xingtai as raw materials (RIC), which Xingtai uses to manufacture the alleged circumvention goods. The quantity of the RIC purchased by Xingtai from Xingtai Jianlin accounts for only 10% of Xingtai's raw material purchases used to produce the alleged circumvention goods. The remaining 90% is purchased from unrelated companies.

Xingtai explained that Xingtai Jianlin predominantly produces high-end rod. High-end rod is used for such products as spring steels and bearing steels, while low-end rod is that which is

[2] Note that Xingtai Jianlin & Xtsteel Technology Co., Ltd. is alternatively translated as Xingtai Jianlin Xinggang Technology Co., Ltd. Documents that the commission has had access to include both translations. The commission confirmed that these are the same entities during the virtual verification.

used for infrastructure (mesh). Xingtai explained that 10 years ago, it acquired all raw materials to produce mesh from Xingtai Jianlin; however, in recent years with Xingtai Jianlin focusing on the production of high-end rod, Xingtai has had to source the majority of raw materials to produce mesh from unrelated suppliers.

1.2.2 Related customers

Xingtai states that all its Australian and domestic customers are unrelated entities. The commission found no evidence of related customers.

1.3 Accounting records

Xingtai's financial year or accounting period follows the calendar year, i.e. is from 1 January to 31 December.

Each audited account report provided included a statement that the financial accounts comply with the provisions of the Accounting Standards for Enterprises. The commission finds that Xingtai's accounting records for the inquiry period comply with the generally accepted accounting principles of China.

2 Goods and circumvention goods

2.1 Production process

Xingtai does not produce the goods, rod in coil (RIC). Xingtai purchases all the RIC it uses as input for manufacturing the alleged circumvention goods, reinforcement mesh. The production process is summarised as follows:

- Coils of RIC are straightened, de-scaled (cleaned), cold-rolled and ribbed.[3] They are butt-welded into continuous wire for cutting to size depending on the customer's order. Note that some lengths of straightened RIC are cut and sold as cold-rolled rod bar, which is a semi-finished product.
- Cross wires are manually fed into the welding machine, which welds them over perpendicular line wires that have entered the machine via another route.
- Finished mesh sheets that exit the machine are stacked for temporary storage[4] before transportation either to domestic customers or to port for exporting abroad, including to Australia.

Scrap and iron oxide (waste from descaling) are generated during the production process. There are no byproducts resulting from the production process.

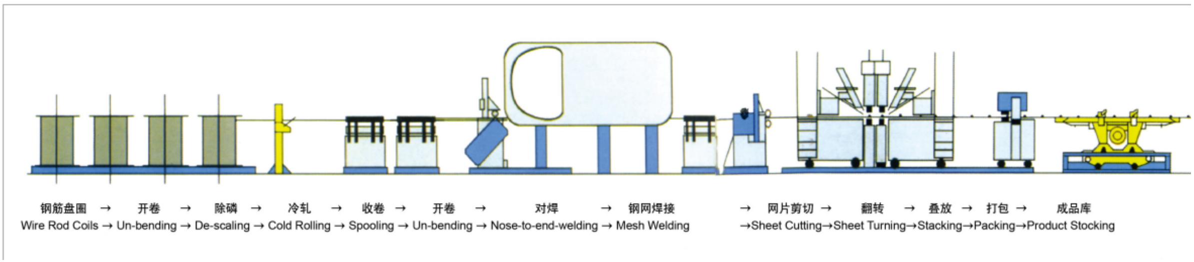

Figure 1. Diagram of Xingtai's production process for reinforcement mesh.

The exporter stated that there is no difference between the mesh that it sells domestically and the mesh that it exports to Australia. Xingtai's mesh is produced to meet AS/NZS 4671-2019 and the same product is sold domestically. The standards used in China are different to those used in Australia; however, by producing mesh that meets Australian standards, Xingtai also meets Chinese standards. There are no differences to ribbing, e.g. for branding purposes.

The carbon content of the alleged circumvention goods is between 0.05% and 0.2%. The standard applied for export is AS/NZS 4671-2019 while alleged circumvention goods sold on the domestic market are produced to meet several different standards:

- GB/T13788-2022
- GB/T1499.1-2017

[3] The commission noted in Xingtai's documents, and during the verification, that there is reference to "wire rod", "rod bar" and "rod bar in coil". It was established that all 3 terms refer to raw material inputs; however, wire rod is not ribbed, while rod bar and rod bar in coil are ribbed. Xingtai clarified that it primarily purchases wire rod and adds its own ribbing. Wire rod made up approximately 96% of their raw material purchases. The company stated that it sometimes purchases rod bar in coil (with ribbing) but only if the client has requested a specific higher grade.

[4] Xingtai does not keep stock on hand. Time that mesh sheets spend in the factory is limited and only to await shipping.

- GB/T1499.2-2018
- GB/T700-2006.

2.2 Model control codes

Model control codes (MCCs) are not typically relevant in an anti-circumvention investigation. At initiation, the applicant – InfraBuild (Newcastle) Pty Ltd – had suggested an MCC structure (see Non-Confidential Appendix 1), which may become useful for future cases, should the anti-circumvention inquiry find in the applicant's favour. No changes were proposed during the during the verification.

2.3 Australian exports and domestic sales of alleged circumvention goods

2.3.1 Australian exports

The commission was satisfied that, during the review period, Xingtai produced the alleged circumvention goods and exported them to Australia.

Xingtai conducts marketing and advertising activities on its own behalf, including the maintenance of an English-language website through which customers can find Xingtai, and negotiates sales terms and contracts directly with its Australian customers via email, which is also how orders are placed. Xingtai stated that it may not know the end destination if its customer is a trader but that notified parties are listed on the bills of lading.

Xingtai does not use a price list. The sales price is determined by the price of purchasing the raw material input (RIC) and processing costs. The price of the RIC depends on the market price, which is based on a Chinese price index. Selling prices do not vary according to different distribution channels. When setting its sale price, Xingtai sets prices based on:

- purchase cost of raw materials
- processing costs
- profit
- other expenses, e.g. freight.

The process from customer order through to manufacture and delivery was discussed and is detailed in **Confidential attachment 1.**

The commission asked Xingtai to respond to the applicant's claims that Australian buyers have shifted away from purchasing RIC and are now purchasing mesh. Xingtai responded that it was unable to comment, not being a seller of the goods. Xingtai only manufactures the alleged circumvention goods for sale to Australia, i.e. it does not sell the goods to Australia.

2.3.2 Domestic sales

The commission is satisfied that Xingtai produced and sold the alleged circumvention goods for home consumption in its domestic market, being the country of export.

Xingtai has a sales team to serve domestic customers. Customers negotiate sales terms including the price, delivery terms and payment terms with the company according to market conditions. For domestic sales, as well as email, Xingtai also liaises with customers via WeChat (mobile app).

As with export sales, Xingtai does not use a price list for domestic sales. Xingtai also stated it did not provide on-invoice and/or off-invoice rebates; it also did not provide credit or debit notes for that period.

The process from customer order through to manufacture and delivery (or customer pickup) was discussed and is detailed in **Confidential attachment 1**.

2.3.3 Verification of sales

The commission did not conduct a full sales verification. However, the commission did identify a New Zealand trading entity in the sales listing. Xingtai confirmed that this was simply an erroneous entry, which was then removed with no impact.

Exception 1: Removal of sales data

Description: The commission identified a New Zealand trading entity in the export sales listing.

Resolution: The commission queried Xingtai, who confirmed that the New Zealand entity was erroneously included in the data. This entry was removed with no impact.

2.3.4 Other relevant details and summary

When the commission asked for comment on the patterns of trade for each good (i.e. RIC and mesh) in the context of *Customs (International Obligations) Regulation 2015* (the Regulation), the exporter reaffirmed that it had never exported RIC to Australia since the company's inception in 2002, being a company that focuses solely on producing and exporting mesh. Xingtai stated it had no intentions to avoid any duties that have been imposed on RIC.

To demonstrate this, the exporter provided monthly transactions of its exports from 2014 to 2017, which the commission verified and was satisfied adequately showed patterns of trade from before the measures were imposed in 2016.

The commission considers that the domestic reinforcement mesh was identical to, or had characteristics closely resembling, the Australian export reinforcement mesh, because:

- Xingtai does not distinguish between domestic and export reinforcement mesh during production (the exported goods and goods sold in the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same).
- Xingtai produces all reinforcement mesh at the same facilities, using the same raw material inputs and production processes.
- All reinforcement mesh compete in the same market sector, are interchangeable and use similar distribution channels.
- All reinforcement mesh is functionally alike as they have similar end uses.

3 Verification of cost to make and sell completeness and relevance

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The commission verified whether the CTM listing Xingtai submitted is complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30. The commission did not verify SG&A.

The commission received or documented evidence for the following:

- Upwards cost reconciliation workbook
- Difference between cost of goods sold (COGS) in the accounting period and the review period
- Difference between COGS and cost of production
- Accounting adjustments (taking extra caution around balancing figures)
- Cost of non-goods, including services and tolling.

The commission reconciled:

1. COGS for the 2023 financial year to the audited financial statements and trial balance
2. COGS for the period to the trial balance for the full year 2023
3. COGS for subject goods to the total company COGS for the period using management reports (income statements) from the first 3 months of 2023 and the first 3 months of 2024
4. The variance between the COGS and CTM via the change in finished goods account in the trial balance
5. Goods and non-goods to the finished goods accounts in the trial balance and the ‘Finished goods-Steel Mesh subledger’ account
6. The CTM of the goods to the cost spreadsheet
7. Production quantity in the CTM listing to the finished goods account.

The commission did not identify any issues during this process. The commission detailed this process in the verification work program in **Confidential attachment 1**.

3.1 Cost to make and sell completeness and relevance exceptions

The commission did not find any exceptions.

3.2 Cost to make and sell completeness and relevance finding

The commission is satisfied that the CTM data Xingtai submitted is complete and relevant.

4 Verification of cost to make and sell accuracy – raw materials

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The commission considered the facts of the case and conducted a risk analysis before verifying the raw materials purchase listing upwards to the general ledger to ensure the conversion costs from RIC to mesh were calculated accurately.

The commission verified whether the raw materials purchase listing was accurate by reconciling them to source documents, consistent with ADN 2016/30.

The commission did not identify any issues. The commission detailed the process of verifying the samples in the verification work program and its relevant attachments in **Confidential attachment 1**.

4.1 Cost allocation method

Table 5.1 outlines how the commission allocated each cost component.

Cost component	Method applied
Raw materials	• Actual costs allocated by quantity • Conducted an upwards cost verification of the Raw Materials Purchase listing • Conducted a downwards verification of 9 selected invoices
Scrap/by-products	• Scrap sales are offset in the CTM for that month • These are reconciled from the CTM to the trial balance
Labour	Actual costs allocated by quantity
Manufacturing overheads	Power and other overheads allocated by quantity
Depreciation	Allocated by quantity
Variance	Not applicable – actual costs used.

Table 5.1 Cost allocation method

4.2 Related party suppliers

Xingtai purchased a small amount (10%) of its raw materials from related party Xingtai Jianlin & Xtsteel Technology Co., Ltd during the review period. The commission tested the purchase in the same manner as the other randomly selected invoices, finding no differences in methodology and no discrepancies or other issues.

The commission compared purchase prices of the raw materials purchased from the related supplier to non-related suppliers and found them comparable.

4.3 Cost to make accuracy finding – conversion cost

As this case also focuses on aspects relating to subsection 48(3) of the Regulation, the commission focused on the cost of modification during verification. The cost of producing the alleged circumvention goods includes fixed and variable overheads, direct labour and depreciation. Costs in relation to SG&A expenses are excluded from any conversion cost analysis.

The commission verified and assessed the cost of modification (also referred to as conversion costs) to manufacture mesh from RIC for Xingtai. The commission is satisfied that the CTM data that Xingtai submitted is accurate and reasonably reflects the costs associated with the production and sale of the goods.

The commission 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**.

5 Appendices and attachments

Confidential attachment 1	Verification work program
Non-confidential appendix 1	Model control codes

6 Non-confidential appendix 1 – model control codes

Item	Category	Sub-category	Identifier	Sales data	Costs data
1	Prime	Prime	P	Mandatory	Mandatory
		Non-Prime	N		
2	Physical form	Coil	C	Mandatory	Mandatory
		Sheet	S		
3	Maximum carbon content, %	Less than 0.05	1	Mandatory	Mandatory
		Greater than or equal to 0.05 but less than or equal to 0.20	2		
		Greater than 0.20 but less than or equal to 0.24	3		
		Greater than 0.24	4		
4	Largest nominal diameter of solid section of steel (mm)	Less than 6.0	D1	Mandatory	Optional
		Greater than or equal to 6.0 but less than or equal to 6.5	D2		
		Greater than 6.5 but less than or equal to 7.5	D3		
		Greater than 7.5 but less than or equal to 8.5	D4		
		Greater than 8.5 but less than or equal to 9.5	D5		
		Greater than 9.5 but less than or equal to 10.5	D6		
		Greater than 10.5 but less than or equal to 13.5	D7		
		Greater than 13.5	D8		
5	Nominal width of steel mesh sheet (mm)	Less than 200	W1	Mandatory	Optional
		Greater than or equal to 200 but less than or equal to 800	W2		
		Greater than 800 but less 2000	W3		
		Greater than or equal to 2000 but less than 2400	W4		
		Greater than or equal to 2400 but less than 3000	W5		
		Greater than or equal to 3000	W6		
		Coil	C		
6	Nominal length of steel mesh sheet (mm)	Less than or equal to 5000	L1	Mandatory	Optional
		Greater than 5000 but less than 6500	L2		
		Greater than or equal to 6500	L3		
		Coil	C		
7	Galvanised	Galvanised	G	Mandatory	Mandatory
		Non-galvanised	N		