



**ADC 384**

**INVESTIGATION INTO THE ALLEGED DUMPING OF  
ALLOY ROUND BAR EXPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA  
VERIFICATION REPORT - EXPORTER**

**JIANGSU YONGGANG GROUP CO. LTD**

**JUNE 2017**

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

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## **1 BACKGROUND**

### **1.1 Initiation**

On 10 January 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an investigation in respect of the alleged dumping of alloy round bar exported from the People's Republic of China (China).

Anti-Dumping Notice (ADN) No. 2017/02 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The background relating to the initiation of this investigation is contained in Consideration Report No. 384 (CON 384).

Following this initiation, the Commission wrote to Jiangsu Yonggang Group Co. Ltd (Yonggang) inviting it to cooperate with the investigation. Yonggang provided a completed exporter questionnaire response (EQR) and relevant attachments for the investigation period (1 October 2015 to 30 September 2016).

### **1.2 Purpose of this report**

The Commission elected not to conduct an on-site verification visit at Yonggang's premises.

A detailed analysis of the Yonggang EQR was completed. To assist with the verification of Yonggang's EQR, the verification team sought additional data to be satisfied that the data provided in the exporter questionnaire response was complete, relevant and accurate. The verification team's analysis of Yonggang's EQR included tests for the reasonableness, accuracy and completeness of the export sales, domestic sales and cost to make and sell (CTMS) data utilised in calculating the dumping margin.

## **2 THE GOODS AND LIKE GOODS**

### **2.1 The goods exported to Australia**

During the investigation period Yonggang exported alloy round bar for the specific end use of manufacturing grinding media (either balls or rods).

### **2.2 Like goods sold on the domestic market**

During the investigation period Yonggang sold alloy round bar into the Chinese domestic market for a range of end uses (structural steels and mechanical steels).

### **2.3 Model matching**

For the purpose of model matching, the verification team considers that it is appropriate to have regard to the end use of the product. Model matching based on end use provides a fair comparison between export price and normal value, noting that the specific end use of the alloy round bar requires different treatments or processes being applied. Further, the verification team notes that due to market situation claims the normal value has been calculated under section 269TAC(2)(c) which does not require matching domestic models to export models of alloy round bar.

### **2.4 Like goods – preliminary assessment**

Given the differences in end use, the verification team considers that the alloy round bar produced by Yonggang for the domestic market are not like to the exported goods. For the purposes of establishing the normal value the verification team will construct the normal value under section 269TAC(2)(c), which does not require matching domestic models to export models of alloy round bar.

### **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 Yonggang's export sales listing by reconciling it to audited financial statements having regard to the procedures outlined in ADN. No 2016/30. During this process 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**.

#### **3.2 Verification of Australian sales to source documents**

The verification team verified the accuracy of Yonggang's export sales listing by reconciling it to source documents having regard to the procedures outlined ADN No. 2016/30. During this process 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**.

#### **3.3 The exporter**

For all Australian export sales during the investigation period, the verification team considers Yonggang to be the exporter of the goods.<sup>1</sup>

#### **3.4 The importer**

The verification team considers that, in relation to the goods exported by Yonggang, the customer listed in the export sales listing was the beneficial owner of the goods at the time of importation. This is consistent with the terms of the exportations reported by Yonggang.

#### **3.5 Related customers**

The verification team did not find that Yonggang was related to its Australian customers.

#### **3.6 Arms length**

In respect of export sales of alloy round bar to Australia by Yonggang 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

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<sup>1</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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- 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 received a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all sales of alloy round bar exported to Australia by Yonggang during the inquiry period were arms length transactions.<sup>2</sup>

### 3.7 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is reasonably complete, relevant and accurate and recommends that the export price be established under subsection 269TAB(1)(a), using the invoiced price, less deductions to the free on board (FOB) level as required.

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

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<sup>2</sup> Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as being at arms-length. These are where: there is any consideration payable for or in respect of the goods other than price; 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, or an associate of the buyer, will, 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.

## **4 COST TO MAKE AND SELL**

### **4.1 Verification of costs to audited financial statements**

The verification team verified the completeness and relevance of Yonggang's cost to make and sell (CTMS) spreadsheets by reconciling it to audited financial statements in accordance with ADN 2016/30.

The verification team was able to reconcile the CTMS data to audited financial statements.

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

### **4.2 Verification of costs to source documents**

The verification team verified the accuracy of certain items in Yonggang's CTMS spreadsheet by reconciling it to source documents. In particular, the verification team focused on the cost of billet, the key raw material used in manufacturing alloy round bar. The verification team were able to reconcile the amounts recorded in the CTMS data with source documents.

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

### **4.3 Cost to make and sell - summary**

Having verified Yonggang's cost to make and sell (CTMS) data for round bar to audited financial accounts and source documents, the verification team is satisfied that the CTMS spreadsheets are complete, relevant and accurate.

The verification team's analysis and calculation of Yonggang's CTMS 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 Yonggang's domestic sales listing by reconciling it to audited financial statements having regard to the procedures outlined in ADN. No 2016/30. During this process 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**.

### **5.2 Verification of domestic sales to source documents**

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

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

### **5.3 Related customers**

The verification team identified one customer that was a related entity. Sales to this entity were analysed further and the Commission found the sales prices to this related entity to be comparable to the sales price for sales of the same model to unrelated entities.

### **5.4 Arm's length**

In respect of domestic sales of alloy round bar made by Yonggang to its customers during the investigation period, the verification team found no evidence that:

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

The verification team therefore considers that all domestic sales made by Yonggang to its customers during the investigation period were arms length transactions.

### **5.5 Ordinary course of trade**

Section 269TAAD of the Act 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).



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The verification team compared the revenue (i.e. net sales value) for each domestic sale of alloy round bar to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

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 inquiry period. Those sales found to be unrecoverable were considered not to be in the OCOT.

### **5.6 Suitability of domestic sales and profit**

Subsection 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. The verification team determined that there were no domestic sales of an identical grade to those exported to Australia.

Therefore, noting that the Commissioner must make a decision on market situation, the verification team has determined normal values under 269TAC(2)(c) using the CTM of the exported goods, plus SG&A applicable to the goods sold domestically. An additional amount of profit was not included as the verification team did not find profit made on domestic goods sold in the OCOT.

### **5.7 Domestic sales - summary**

The verification team is satisfied that the domestic sales list provided by Yonggang is complete, relevant and accurate.

Calculation of domestic sales and profit in the OCOT are at **Confidential Appendix 3**.

## **6 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value.<sup>3</sup>

### **6.1 Domestic inland transport and handling**

The verification team has applied a downwards adjustment to the normal value calculated in section 7. This adjustment is based on the verified domestic inland transport and handling costs reported by Yonggang.

### **6.2 Export inland transport and handling**

The verification team considers an upward adjustment for export inland transport and handling is required to ensure a fair comparison to the export price. The adjustment for export inland transport and handling is based on the verified costs reported by Yonggang for their export sales transactions.

### **6.3 Export non-refundable VAT**

The verification team considers an upwards adjustment for Value Added Tax (VAT) is required to reflect the VAT liability (non-refundable) for the exported goods.

### **6.4 Adjustments – conclusion**

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

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic inland transport and handling costs	<b>Deduct</b> domestic inland transport and handling costs
Export inland transport and packaging costs	<b>Add</b> export inland transport and handling costs
Value Added Tax	<b>Add</b> an amount for non-refundable VAT.

<sup>3</sup> In accordance with subsection 269TAC(9)

## **7 NORMAL VALUE**

As stated in section 2.3, a market situation claim has been made. Without pre-empting the Commissioner's decision on market situation, the normal value for Yonggang has been constructed under subsection 269TAC(2)(c) using Yonggang's actual cost to make round bar exported to Australia, plus an amount for SG&A on the assumption that the goods, instead of being exported were sold domestically. No adjustment for profit has been applied as the Commission did not identify a profit on domestic sales of like goods sold in OCOT.

To ensure the comparability of normal values and export prices the following adjustments to normal value were made under subsection 269TAC(9) of the Act (Chapter 6 refers):

- a downwards adjustment for inland freight and inland handling charges;
- an upwards adjustment for export freight and export handling charges;
- an upwards adjustment for Value Added Tax (VAT).

The normal values were calculated at FOB terms.

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 constructed normal value for the investigation period.<sup>4</sup>

The dumping margin in respect of alloy round bar exported by Yonggang for the investigation period is **-5.7%**.

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

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<sup>4</sup> In accordance with subsection 269TACB(2)(a).

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### 9 APPENDICES AND ATTACHMENTS

<b>Confidential Appendices 1-5</b>	Yonggang Dumping Margin Calculations
<b>Confidential Attachment 1</b>	Verification work program, with attachments