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To The Commissioner of the Australian Anti-Dumping Commission

Date 27 August 2018

Subject Application for an accelerated review in respect of certain Zinc Coated (Galvanised) Steel exported to Australia by Zhejiang Huada New Materials Co., Ltd

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Dear Commissioner,

We have been asked to act for **Zhejiang Huada New Materials Co., Ltd** (hereinafter referred to as "Huada"), a manufacturer and exporter of certain Zinc Coated Steel from the People's Republic of China, with the address of " No 198 Daqiao South Rd, Dayuan Town, Fuyang District, Hangzhou City, Zhejiang Province, 311413".

Huada is a producer of varied Zinc Coated Steel from the People's Republic of China, and seeks to export its products to Australia.

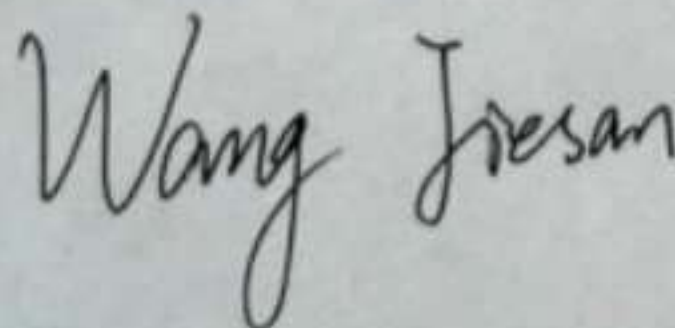
We are instructed to lodge this application for an accelerated review of the current applicable dumping duty and countervailing duty notices (Anti-Dumping Notice 2018/96) (**Notices**) in respect of certain Zinc Coated Steel exported to Australia by Huada.

Please find the enclosed application for an accelerated review of the variable factor apply to the export of Zinc Coated Steel by Huada, prompting an accelerated review of the current anti-dumping and countervailing duty as it applies to Huada by the Australian anti-dumping commission.

If you have any question concerning this application, please contact me through the email or phone number on this page.

Your sincerely,

Wang Jiesan



APPLICATION FOR ACCELERATED REVIEW FOR HUADA

Huada seeks an accelerated review of the current applicable dumping duty and countervailing duty notices (Anti-Dumping Notice 2018/94).

Please refer to the **Exhibit -1 Notice 2018/96** for detailed information.

1. GROUNDS OF APPLICATION

Huada seeks the review on the basis that it complies with the following requirements under the Customs Act, 1901(Act):

1.1 Section 269ZE (1) of the Act (There is a relevant duty notice).

1.2 Section 269ZF of the Act (There must be a written application for an accelerated review addressing the type of goods, and the basis the duty doesn't apply),

1.3 A Commission staff member doing duty must received the application for accelerated review before it is deemed to have been lodged.

Huada confirms that it has not been previously investigated and is not related to an exporter who exported Zinc Coated Steel before. As a result, the conditions for rejection of the application under Section 269ZE(2) of the Act are not met and the Commissioner should not reject this application.

Please refer to the **Exhibit-2 Affiliation structure** and **Exhibit 3- Directors list** which can shows its independence with other Chinese exporters which have exported Zinc Coated steel to Australia before.

Huda certifies again, within its acknowledge, that it has no any affiliation with other Chinese exporters which have exported Zinc Coated Steel to Australia or that have participated the previous investigation against Zinc Coated Steel.

**Description of the Goods subject to the Dumping Duty and Countervailing Duty Notices**

The Goods subject to the Notices are described in REP457 (**Reports**) as follows:

**Galvanised steel**

The imported goods the subject of the galvanised steel review of measures are described as:

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 and flat rolled iron or steel products containing alloys of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m<sup>2</sup>) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). 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.

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.

Please refer to the **Exhibit-4 Rep 456 and 457**

## Product Treatment

The goods description includes galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

*Huada confirms that it produces Zinc Coated steel and seeks opportunity to exploit Australian market.*

## 2. REASONS FOR REVIEW

Huada seeks an accelerated review of the current anti-dumping and countervailing duty by the Commission in respect of the Goods exported from the People's Republic of China under subsection 269ZE(1)(a) of the Act.



Huada as new exporter

2.1 Huada is a “new exporter” within the meaning of Section 269T(1) of the Customs Act 1901 (**Act**).

Division 6 of the Act provides a statutory entitlement for a “new exporter” to apply for an accelerated review of a dumping or countervailing duty notice in so far as it affects that exporter. As a result of the Notices, Huada is currently subject to the country-wide combined dumping duty (20.6%) and countervailing duty (28.8%) rate of 43.4% (**Duties**).

Please refer to the **Exhibit-1 Notice of 2018/96** for detailed information.

A “new exporter” is:

*in relation to goods the subject of an application for a dumping duty notice or a countervailing duty notice or like goods, ... an exporter who did not export such goods to Australia at any time during the investigation period in relation to the application.*

(Section 269T(1) of the Act)

An “investigation period” is:

*in relation to an application for a dumping duty notice or a countervailing duty notice in respect of goods, ... a period specified by the Commissioner in a notice under subsection 269TC(4) to be the investigation period in relation to the application.*

Subsection 268TC(4) of the Act requires the Commissioner to specify the period of investigation in relation to an application in a public notice that initiates the investigation. In this case the investigation period specified by the Commissioner was 1 July 2011 to 30 June 2012.

Huada is a “new exporter” as it did not export the GUC or like goods to Australia at any time during the investigation period.

2.2 *Huada did not refuse to cooperate and is not related to an exporter subject to the Notices*

An application for an accelerated review may be rejected if the Commissioner is satisfied that the exporter:

- (a) was not investigated in the investigation relating to publication of the notice because that exporter refused to cooperate; or
- (b) is related to an exporter whose exports were examined in relation to the application for publication of that notice.

Huada did not participate in the dumping and subsidy investigation because it did not export the GUC to Australia during the original investigation period.

Huada also confirms that it is not related to any exporter subject to the Notices. Accordingly, Huada submits that there are no grounds for its application for an accelerated review to be rejected.

Please refer to the **Exhibit-2 Affiliation structure** and **Exhibit 3- Directors list** which can shows its independence with other Chinese exporters which have exported Zinc Coated steel to Australia before.

3. Grounds for inappropriateness of current interim duties

Huada seeks an accelerated review of the notice as it is currently subject to country-wide ad valorem dumping duty rate of 20.6% , and countervailing duty of 28.8%. These rates reflect the dumping margins and countervailing margin determined for non-cooperating exporters during the latest review investigation period, and which was based on the following:

Ascertained export price was based on the lowest export price from information available to the commission;

Ascertain normal value was based on the highest normal value from the information available to the commission;

## **Non-Confidential Version**

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Subsidy was based on the maximum from the information available to the commission.

As Huada did not export the goods to Australia before this application, it was not contacted and investigated by the commission, and as such did not have the opportunity to participate the previous investigation and seek an individual determination of its ascertained variable factors. Given the methods used to determine the ascertained variable factors for non-cooperating exporters, the imposed interim duties are clearly inappropriate and hindering Huada's ability to access the Australian markets.

Therefore, Huada request the determination of ascertained variable factors based on its own domestic sales, cost and other relevant financial information.



## **ANTI-DUMPING NOTICE NO. 2018/96**

*Customs Act 1901 – Part XVB*

**Zinc Coated Galvanised Steel**  
**Exported from the People's Republic of China,**  
**the Republic of Korea and Taiwan**  
**Findings of a Continuation Inquiry into**  
**Anti-Dumping Measures**

***Public Notice under subsection 269ZHG(1) of the Customs Act 1901***

The Commissioner of the Anti-Dumping Commission (the Commissioner) has completed an inquiry, which commenced on 10 November 2017, into whether the continuation of the anti-dumping measures in the form of a dumping duty notice applying to zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan and a countervailing duty notice applying to galvanised steel exported to Australia from China is justified. Exports from Korea by Dongkuk Steel Mill Co Ltd and from Taiwan by Ta Fong Steel Co Ltd and Sheng Yu Steel Co Ltd are not covered by this inquiry, as the measures currently in place in relation to galvanised steel do not apply to those company's exports of the goods.

Recommendations resulting from that inquiry, reasons for the recommendations, and material findings of fact and law in relation to the inquiry are contained in *Anti-Dumping Commission Report Nos. 449 and 450* (REP 449 and 450).

I, ZED SESELJA, the Assistant Minister for Science, Jobs and Innovation (Assistant Minister), have considered REP 449 and 450 and have decided to accept the recommendation and reasons for the recommendation, including all the material findings of facts and law therein and have decided that the anti-dumping measures applying to galvanised steel exported to Australia from China, Korea and Taiwan should continue from 5 August 2018.

Under subsection 269ZHG(1)(b) of the *Customs Act 1901* (the Act), I have decided to secure the continuation of the anti-dumping measures currently applying to galvanised steel exported to Australia from China, Korea and Taiwan. In accordance with subsections 269ZHG(4)(a)(ii) and (iii), I **determine** that:

- the dumping duty notice in respect of galvanised steel continues in force after 5 August 2018, but that after that day:
  - the notice ceases to apply to POSCO; and
  - with the exception of exporters not subject to the existing measures and POSCO, that the notice has effect, in relation to exporters generally, as if

different variable factors had been fixed. The specified variable factors have been determined in *Anti-Dumping Commission Report Nos. 456 and 457*; and

- the countervailing duty notice continues in force after 5 August 2018, but that after that day, with the exception of exporters not subject to the existing measures, the notice has effect, in relation to exporters generally, as if different variable factors had been fixed. The specified variable factors have been determined in *Anti-Dumping Commission Report Nos. 456 and 457*.

Pursuant to subsection 269ZH(1)(a) of the Act, I, ZED SESELJA, the Assistant Minister, have considered REP 449 and 450 and have **decided** not to secure the continuation of the anti-dumping measures currently applying to galvanised steel exported to Australia from Korea by POSCO. The measures in respect of POSCO will expire on 5 August 2018.

As a result of my decision, the anti-dumping measures applying to exporters of galvanised steel on and after 5 August 2018 are summarised in the following table.

Country	Exporter	Dumping margin	Subsidy margin	Form of measures
China	Angang Steel Company Ltd	15.7%	N/A	Combination
	Yieh Phui (China) Technomaterial Co. Ltd	6.7%	N/A	Combination
	Jiangyin Zongcheng Steel Co Ltd	18.6%	N/A	Combination
	ANSC-TKS Galvanizing Co Ltd also known as TAGAL	20.6%	N/A	Combination
	Shandong Guanzhou Dingxin Plate Technology Co. Ltd	0%	0%	Floor price
	All other exporters	20.6%	22.8%	Combination
Korea	Dongkuk Steel Mill Co Ltd	Exempt		
	Dongbu Steel Co Ltd	2.4%	N/A	Combination
	POSCO	Exempt		
	All other exporters	13.7%	N/A	Combination
Taiwan	Ta Fong Steel Co Ltd	Exempt		
	Sheng Yu Steel Co Ltd	Exempt		
	Chung Hung Steel Corporation	10.2%	N/A	Combination
	Yieh Phui Enterprise Co Ltd	2.4%	N/A	Combination
	Synn Industrial Co. Ltd	6.1%	N/A	Combination
	All other exporters	28.2%	N/A	Combination

The calculation of combined dumping and countervailing duties is not simply a matter of adding the dumping and subsidy margins together for any given exporter, or group of exporters. Rather, the collective interim dumping duty and interim countervailing duty imposed in relation to the goods, is the sum of:



- the subsidy rate calculated for all countervailable programs, and
- the dumping rates calculated.

Interested parties may seek a review of this decision by lodging an application with the Anti-Dumping Review Panel ([www.adreviewpanel.gov.au](http://www.adreviewpanel.gov.au)), in accordance with the requirements in Division 9 of Part XVB of the Act, within 30 days of the publication of this notice.

REP 449 and 450 has been placed on the public record, which may be examined at the Anti-Dumping Commission Office by contacting the case manager on the details provided below. Alternatively, the public record is available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Enquiries about this notice may be directed to the case manager on telephone number +61 3 8539 2440, fax number +61 3 8539 2499 or email [investigations1@adcommission.gov.au](mailto:investigations1@adcommission.gov.au).

Dated this 12<sup>th</sup> day of July 2018.

  
ZED SESELJA  
Assistant Minister for Science, Jobs and Innovation



Australian Government  
Department of Industry,  
Innovation and Science

Anti-Dumping  
Commission

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*CUSTOMS ACT 1901 - PART XVB*

# **REPORT**

## **NOS. 456 and 457**

**REVIEW OF THE ANTI-DUMPING MEASURES  
APPLYING TO ZINC COATED (GALVANISED) STEEL  
EXPORTED TO AUSTRALIA  
FROM THE PEOPLE'S REPUBLIC OF CHINA,  
THE REPUBLIC OF KOREA AND TAIWAN**

**AND**

**REVIEW OF THE ANTI-DUMPING MEASURES  
APPLYING TO ALUMINIUM ZINC COATED STEEL  
EXPORTED TO AUSTRALIA  
FROM THE PEOPLE'S REPUBLIC OF CHINA  
AND THE REPUBLIC OF KOREA**

**14 June 2018**

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## ABBREVIATIONS

the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ADRP	Anti-Dumping Review Panel
ABF	Australian Border Force
Angang	Angang Steel Company Ltd
the Assistant Minister <sup>1</sup>	the Assistant Minister for Science, Jobs and Innovation
BlueScope	BlueScope Steel Limited
China	the People's Republic of China
Chung Hung	Chung Hung Steel Corporation
CIF	cost, insurance and freight
CITIC	CITIC Australia Steel Products Pty Ltd
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
Commissioner's Steel Report	<i>Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016</i>
CTMS	cost to make and sell
the Direction	<i>Customs (Extensions of Time and Non-cooperation) Direction 2015</i>
Dongbu	Dongbu Steel Co Ltd
Duke Centre	Duke Centre on Globalisation, Governance & Competitiveness
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
EPR	electronic public record
EXW	ex works
FOB	Free on Board
GAAP	generally accepted accounting principles
the goods	the goods subject of the anti-dumping measures (also referred to as the goods under consideration)
GOC	Government of China
GOC Advice	<i>Advice on Addressing Excessive Capacity and Relieving Hardship for the Steel industry</i>

<sup>1</sup> On 20 December 2017, the Prime Minister appointed the Parliamentary Secretary to the Minister for Jobs and Innovation as the Assistant Minister for Science, Jobs and Innovation.

**PUBLIC RECORD**

GOC Opinions	<i>The Opinions of the State Council on Reducing Overcapacity in the Iron and Steel Industry</i>
Guanzhou Dingxin	Shandong Guanzhou Dingxin Plate Technology Co. Ltd
the Guidance	<i>Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation</i>
the Guidelines	<i>Guidelines on the Application of Forms of Dumping Duty</i>
ICD	interim countervailing duty
IDD	interim dumping duty
Korea	the Republic of Korea
the Manual	<i>Dumping and Subsidy Manual</i>
NDRC	National Development and Reform Commission
NIP	non-injurious price
OCOT	ordinary course of trade
Platts	Platts Steel Business Briefing
the Regulation	<i>Customs (International Obligations) Regulation 2015</i>
REP 177	<i>International Trade Remedies Branch Report No. 177</i>
REP 190	<i>International Trade Remedies Branch Report No. 190</i>
REP 365 et al	<i>Anti-Dumping Commission Report Nos. 365, 366, 367, 368, 371, 372, 374, 375, and 376</i>
REQ	response to the exporter questionnaire
the review period	1 October 2016 to 30 September 2017
RMB	Chinese Yuan
SG&A	selling, general and administrative
SOEs	state owned and / or state invested enterprise
SEF	statement of essential facts
SEF 456 and 457	<i>Statement of Essential Facts No. 456 and 457</i>
Synn Industrial	Synn Industrial Co. Ltd
the then Minister	the then Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science
VAT	Value Added Tax
WTO	World Trade Organization
YPC	Yieh Phui (China) Technomaterial Co. Ltd
YPE	Yieh Phui Enterprise Co Ltd
Zongcheng	Jiangyin Zongcheng Steel Co Ltd

## 1 SUMMARY

### 1.1 Introduction

This report sets out the findings and conclusions on which the Commissioner of the Anti-Dumping Commission (the Commissioner) has based his recommendations to the Assistant Minister for Science, Jobs and Innovation (Assistant Minister) in relation to two reviews of anti-dumping measures.

The first review relates to a dumping duty notice applying to certain zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan, and a countervailing duty notice applying to certain galvanised steel exported from China (review no. 457). The second review relates to a dumping duty notice applying to certain aluminium zinc coated steel exported to Australia from China and Korea, and a countervailing duty notice applying to certain aluminium zinc coated steel exported from China (review no. 456). This report refers to galvanised steel and aluminium zinc coated steel, either singly or collectively depending on the context, as "the goods".

Following a request by the then Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science (the then Minister) to undertake reviews of these anti-dumping measures, the Commissioner initiated both reviews on 10 November 2017.<sup>2</sup> At the same time, the Commissioner initiated continuation inquiries to examine whether the anti-dumping measures in respect of galvanised steel and aluminium zinc coated steel ought to be continued for a further five years after 5 August 2018.<sup>3</sup>

### 1.2 Legislative framework

Division 5 of Part XVB of the *Customs Act 1901* (the Act)<sup>4</sup> sets out, among other things, the procedures to be followed by the Commissioner when undertaking a review of anti-dumping measures.

As per Division 5, the Commissioner must, on receipt of a request from the Minister to undertake a review, publish a notice on the Anti-Dumping Commission's (the Commission) website indicating that it is proposed to review the measures covered by the request.<sup>5</sup>

The Commissioner must, within 110 days after the publication of the notice or such longer period as the Assistant Minister allows, place on the public record a statement of

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<sup>2</sup> Anti-Dumping Notice (ADN) Nos. [2017/157](#) and [2017/156](#) refer.

<sup>3</sup> ADN Nos. [2017/159](#) and [2017/158](#) refer.

<sup>4</sup> All references to legislation in this report are to the *Customs Act 1901*, unless otherwise specified.

<sup>5</sup> Subsection 269ZC(5).



essential facts (SEF) on which the Commissioner proposes to base his recommendation to the Assistant Minister in relation to the review of anti-dumping measures.<sup>6</sup>

### **1.3 Statement of essential facts**

The Commissioner published *Statement of Essential Facts No. 456 and 457* (SEF 456 and 457) on 30 April 2018.<sup>7</sup> SEF 456 and 457 set out the recommendations that the Commissioner proposed to make to the Assistant Minister based on the information before him at that time.

### **1.4 Findings and recommendations**

The Commissioner finds that the variable factors relevant to the determination of dumping duty payable under the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act) have changed in respect of both galvanised steel and aluminium zinc coated steel.

The Commissioner recommends to the Assistant Minister that the relevant dumping duty notices have effect as if different variable factors had been ascertained. The revised variable factors have resulted in different dumping margins relevant to the taking of IDD.

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<sup>6</sup> Subsection 269ZD(1).

<sup>7</sup> [Document 023](#) on the electronic public record 457 and [Document 014](#) on the electronic public record 456 refer.

## 2 BACKGROUND

### 2.1 Initiation

On 2 November 2017, the then Minister requested that the Commissioner initiate a review of the anti-dumping measures in relation to galvanised steel exported to Australia from China, Korea and Taiwan and aluminium zinc coated steel exported to Australia from China and Korea as they affect exporters of those goods generally, because the variable factors relevant to the taking of the measures in relation to those exporters may have changed.

Following the request by the then Minister, the Commissioner initiated reviews of the anti-dumping measures applying to galvanised steel exported to Australia from China, Korea and Taiwan and aluminium zinc coated steel exported to Australia from China and Korea. Notification of the initiation of these reviews was published on the Commission website on 10 November 2017.<sup>8</sup>

### 2.2 Current anti-dumping measures

The anti-dumping measures were initially imposed by public notice on 5 August 2013 by the then Minister for Home Affairs following consideration of *International Trade Remedies Branch Report No. 190* (REP 190) and *International Trade Remedies Branch Report No. 193*.

In respect of **galvanised steel** exported to Australia:

- (a) the dumping duty notice applies to:
  - all exporters from China;
  - all exporters from Korea, other than Dongkuk Steel Mill Co Ltd;<sup>9</sup> and
  - all exporters from Taiwan, other than Sheng Yu Co., Ltd and Ta Fong Steel Co., Ltd.
- (b) the countervailing duty notice applies to:
  - all exporters from China, other than Angang Steel Ltd (Angang), ANSC-TKS Galvanizing, Yieh Phui (China) Technomaterial Co. Ltd (YPC) and Jiangyin Zongcheng Steel Co Ltd (Zongcheng).

In respect of **aluminium zinc coated steel** exported to Australia:

- (a) the dumping duty notice applies to:
  - all exporters from China; and
  - all exporters from Korea, other than Dongkuk Steel Mill Co Ltd.
- (b) the countervailing duty notice applies to:
  - all exporters from China, other than Angang, Zongcheng, Union Steel China Co., Ltd and YPC.

<sup>8</sup> ADN Nos. [2017/157](#) and [2017/156](#) refer, available on [www.adcommission.gov.au](http://www.adcommission.gov.au).

<sup>9</sup> The original notice referred to Union Steel Co., Ltd as being exempt from the measures. This company is now known as Dongkuk Steel Mill Co Ltd.

## PUBLIC RECORD

Since the anti-dumping measures were initially imposed, the Commission has conducted numerous inquiries relating to both galvanised steel and aluminium zinc coated steel. Full details can be found on the Commission's electronic public record at [www.adcommission.gov.au](http://www.adcommission.gov.au). A summary of these inquiries is set out in Table 1.

Case type and case no(s).	ADN No.	Date	Country of export	Findings
Investigation 190 and 193	2013/66	5 August 2013	China, Korea, and Taiwan	Dumping and countervailing duties imposed
Accelerated Review 227 and 228	2013/101	20 December 2013	China	Terminated
Exemption EX 0013	2014/01	13 January 2014	China	Exemption granted
Exemption EX 0012	2014/04	13 January 2014	China, Korea and Taiwan	Exemption granted
Exemption EX 0009	2014/82	13 January 2014	China	Exemption granted
Exemption EX 0016	2014/53	7 July 2014	China, Korea and Taiwan	Exemption granted
Exemption EX 0021	2014/90	24 September 2014	China, Korea and Taiwan	Exemption granted
Exemption EX 0036	2015/149	6 January 2015	China and Korea	Exemption not granted
Accelerated Review 274	2015/10	20 February 2015	China	Changed variable factors
Review 272 and 273	2015/83	3 August 2015	Korea	Changed variable factors
Exemption EX 0040	2015/131	12 November 2015	China, Korea and Taiwan	Exemption granted
Exemption EX 0028	2015/138	26 November 2015	China and Korea	Exemption granted
Anti-Circumvention 290 and 298	2016/23	18 March 2016	China, Korea and Taiwan	Changed goods description to include alloyed goods
Review 365, 366, 367, 368, 371, 372, 374, 375, and 376	2017/49	12 May 2017	China and Taiwan	Changed variable factors
Review 385 and 386	2017/87	20 July 2017	Korea	Changed variable factors
Exemption EX 0053	2017/114	9 August 2017	China, Korea and Taiwan	Exemption granted
Accelerated Review 408	2017/107	21 August 2017	China	Changed variable factors
Accelerated Review 444	2017/135	28 September 2017	China	Terminated

**Table 1: Summary of past cases**

### 2.2.1 Current measures – Galvanised steel

Country	Exporter	Measure	IDD	ICD	Form of measures
China	ANSC-TKS Galvanizing Co Ltd also known as TAGAL	Interim dumping duty (IDD)	32.7%	N/A	Combination
	Wuhan Iron and Steel Company Limited	IDD & interim countervailing duty (ICD)	21.5%	12.5%	Combination
	Benxi Iron and Steel (Group) International Economic and Trading Co.	IDD & ICD	69.8%	22.8%	Combination
	Angang	IDD	0%	N/A	Floor Price
	YPC	IDD	0%	N/A	Floor Price
	Zongcheng	IDD	7.9%	N/A	Combination
	Shandong Guanzhou Dingxin Plate Technology Co. Ltd (Guanzhou Dingxin)	IDD	0%	0%	Floor Price
	All other exporters	IDD & ICD	69.8%	22.8%	Combination
Korea	Dongkuk Steel Mill Co Ltd	Exempt			
	Dongbu Steel Co Ltd	IDD	0%	N/A	Floor Price
	POSCO	IDD	9.1%	N/A	Combination
	All other exporters	IDD	28.5%	N/A	Combination
Taiwan	Ta Fong Steel Co Ltd	Exempt			
	Sheng Yu Steel Co Ltd	Exempt			
	Chung Hung Steel Corporation	IDD	0%	N/A	Floor Price
	Yieh Phui Enterprise Co Ltd (YPE)	IDD	0%	N/A	Floor Price
	Synn Industrial Co. Ltd (Synn Industrial)	IDD	0%	N/A	Floor Price
	All other exporters	IDD	8.6%	N/A	Combination

**Table 2: Anti-dumping measures applying to galvanised steel**

### 2.2.2 Current measures – Aluminium zinc coated steel

Country	Exporter	Measure	IDD	ICD	Form of measures
China	Union Steel China Co., Ltd	IDD	8.6%	7.9%	Combination
	Angang	IDD	0%	N/A	Floor Price
	YPC	IDD	0%	N/A	Floor Price
	Zongcheng	IDD	0%	N/A	Floor Price
	All other Exporters	IDD & ICD	19.3%	21.7%	Combination
Korea	Dongkuk Steel Mill Co Ltd	Exempt			
	Dongbu	IDD	0%	N/A	Floor Price
	All other exporters	IDD	7.7%	N/A	Combination

**Table 3: Anti-dumping measures applying to aluminium zinc coated steel**

## 2.3 Review process

If anti-dumping measures have been taken in respect of certain goods, an affected party may consider it appropriate to review those anti-dumping measures as they affect a particular exporter or exporters generally. Accordingly, the affected party may apply for,<sup>10</sup> or the Minister may request that the Commissioner conduct,<sup>11</sup> a review of those anti-dumping measures if one or more of the variable factors has changed.

The Minister may initiate a review at any time. However, a review application must not be lodged earlier than 12 months after publication of the notice imposing the original anti-dumping measures or the notice(s) declaring the outcome of the last review.<sup>12</sup>

If a review of measures is initiated, the Commissioner has up to 155 days, or such longer time as the Minister may allow, to conduct a review and report to the Minister on the review of the anti-dumping measures.<sup>13</sup>

During the course of a review, the Commissioner will examine whether the variable factors have changed. The Commission will examine the period from 1 October 2016 to 30 September 2017 (the review period) to establish the variable factors for these reviews.

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<sup>10</sup> Subsection 269ZA(1).

<sup>11</sup> Subsection 269ZA(3).

<sup>12</sup> Subsection 269ZA(2)(a).

<sup>13</sup> Subsection 269ZDA(1).

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Variable factors are a reference to:

- the ascertained export price;
- the ascertained normal value;
- the non-injurious price (NIP); and
- the amount of countervailable subsidy received in respect of the goods (in relation to China only).<sup>14</sup>

Within 110 days of the initiation of a review, or such longer time as allowed, the Commissioner must place on the public record a SEF on which he proposes to base recommendations to the Assistant Minister concerning the review of the anti-dumping measures.<sup>15</sup>

For these reviews, in making recommendations in this final report to the Assistant Minister, the Commissioner must have regard to:

- the request for a review of the anti-dumping measures;
- any submission relating generally to the reviews to which the Commissioner has had regard for the purpose of formulating the SEF in relation to the reviews;
- the SEF; and
- any submission made in response to the SEF that is received by the Commissioner within 20 days after the placing of the SEF on the public record.<sup>16</sup>

The Commissioner may also have regard to any other matter considered to be relevant to these reviews.<sup>17</sup>

At the conclusion of these reviews, the Commissioner must provide this final report to the Assistant Minister. In this final report, the Commissioner must make a recommendation to the Assistant Minister that the dumping duty notice and/or the countervailing duty notice:

- remain unaltered; or
- have effect, in relation to a particular exporter or to exporters generally, as if different variable factors had been ascertained.<sup>18</sup>

The Assistant Minister must make a declaration within 30 days of receiving this report or, if the Assistant Minister considers there are special circumstances that prevent the declaration being made within that period, such longer period as the Assistant Minister considers appropriate.<sup>19</sup>

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<sup>14</sup> Subsection 269T(4E).

<sup>15</sup> Subsection 269ZD(1).

<sup>16</sup> Subsection 269ZDA(3)(a).

<sup>17</sup> Subsection 269ZDA(3)(b).

<sup>18</sup> Subsection 269ZDA(1)(a).

<sup>19</sup> Subsection 269ZDB(1A).



## 2.4 Australian industry

In connection with the two continuation inquiries being undertaken in respect of galvanised steel and aluminium zinc coated steel, the Commission conducted a verification visit to BlueScope Steel Limited (BlueScope) in November 2017. The report of that visit is available on the public record.<sup>20</sup>

As a result of the visit and based on the Commission's understanding of the market, the Commissioner is satisfied that BlueScope is the only manufacturer of galvanised steel and aluminium zinc coated steel in Australia and represents the Australian industry producing like goods to the goods covered by the measures.

## 2.5 Importers

The Commission identified several importers in the Australian Border Force (ABF) import database that imported galvanised steel and aluminium zinc coated steel during the review period from the countries subject to the measures. The Commission forwarded questionnaires to the major importers and received five completed importer questionnaires.

The Commission conducted verification visits to four cooperating importers, and reports of three of these visits are available on the public record.<sup>21</sup>

## 2.6 Exporters

The Commission identified more than twenty exporters of galvanised steel from China, Korea and Taiwan in the ABF import database, and several exporters of aluminium zinc coated steel from China and Korea.

The Commission forwarded exporter questionnaires to the exporters that exported the highest volume of galvanised steel and aluminium zinc coated steel during the review period. Thirteen complete responses to the exporter questionnaire (REQs) were received (nine for galvanised steel and four for aluminium zinc coated steel).

The Commission completed onsite verification of the data submitted by five of these exporters. See chapters 4 and 5 for the verification activities relating to the exporters the subject of the inquiries.

## 2.7 Submissions received from interested parties

The following submissions have been received from interested parties:

Interested Party	Date	Case(s)
BlueScope	1 December 2017	Reviews for galvanised steel and aluminium zinc coated steel

<sup>20</sup> Initiation of the continuation inquiries is referred to in ADN Nos. [2017/159](#) and [2017/158](#); the visit report is published on the electronic public record (EPR) for cases 449 (document 004) and 450 (document 003).

<sup>21</sup> Document numbers. 010 and 011 on EPR 456 and document numbers 011, 015 and 016 on EPR 457. No importer visit report has been published for an importer visit to Commercial Metals Company due to an incomplete verification.

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BlueScope	7 December 2017	Reviews for galvanised steel and aluminium zinc coated steel
Guangzhou Dingxin	26 February 2017	Review for galvanised steel
BlueScope	16 May 2018	Reviews for galvanised steel and aluminium zinc coated steel
Synn Industrial	21 May 2018	Review for galvanised steel
Chung Hung	21 May 2018	Review for galvanised steel
CITIC Australia Steel Products Pty Ltd (CITIC)	21 May 2018	Review for galvanised steel
Zongcheng	22 May 2018	Reviews for galvanised steel and aluminium zinc coated steel
Dongbu	23 May 2018	Reviews for galvanised steel and aluminium zinc coated steel

**Table 4: Submissions received<sup>22</sup>**

### 2.7.1 Submission from CITIC

CITIC submits that SEF 456 and 457 should be seen as a nullity on the basis of the Commission not complying with subsection 269ZD(2), claiming that the Commission had overlooked a submission from CITIC.<sup>23</sup>

### 2.7.2 Commission's assessment

As per subsection 269ZD(2)(a)(ii), in formulating a SEF, the Commissioner must have regard to any submissions relating generally to the review that are received by the Commissioner within 37 days after the publication of the notice under subsections 269ZC(4), (5) or (6). The submission from CITIC related to the Commissioner's decision to initiate the continuation inquiries for these goods.<sup>24</sup> The submission contained no information which was relevant to the ascertainment of the variable factors applying to the goods the subject of the notices, which is the purpose of the present reviews. As a result, whilst the Commission accepts that SEF 456 and 457 did not directly address CITIC's submission, there is no practical impact on CITIC's ability to defend its interests in the present circumstances.<sup>25</sup>

The matters raised in all other submissions have been addressed in the relevant sections of this report.

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<sup>22</sup> All submissions are available on the Commission website for the relevant case(s).

<sup>23</sup> [Document 026](#) (EPR 457) refers.

<sup>24</sup> Initiation of the continuation inquiries is referred to in ADN Nos. [2017/159](#) and [2017/158](#).

<sup>25</sup> The Commission notes that CITIC made further submissions in response to both these reviews and the continuation inquiries following the publication of the respective SEFs.

### 3 THE GOODS AND LIKE GOODS

#### 3.1 The goods subject to the measures – Galvanised steel

The imported goods the subject of the galvanised steel review of measures are described as:

*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*

*and*

*flat rolled iron or steel products containing alloys of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc exported from:*

- *China by Angang Steel Co., Ltd or Benxi Iron and Steel (Group) International Economic & Trading Co.; or*
- *Taiwan by Yieh Phui Enterprise Co., Ltd*

Galvanised steel of any width is included.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared ( $\text{g/m}^2$ ) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). 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.

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.

##### 3.1.1 Product Treatment

The goods description includes galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

### **3.1.2 Excluded goods**

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised plate steel and corrugated galvanised steel are not subject to the measures.

## **3.2 The goods subject to the measures – Aluminium zinc coated steel**

The imported goods the subject of the aluminium zinc coated steel application are described as:

*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*

The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m<sup>2</sup> with the prefix being AZ (Aluminium Zinc). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

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.

### **3.2.1 Product treatment**

The aluminium zinc coated steel application covers aluminium zinc coated steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), resin coated or not resin coated (often referred to as Anti Finger Print (AFP) or not AFP), oiled or not oiled, skin passed or not skin passed.

### **3.2.2 Excluded goods**

Painted aluminium zinc coated steel, pre-painted aluminium zinc coated steel and corrugated aluminium zinc coated steel are not covered by the measures.

## **3.3 Tariff classification**

The goods are currently classified to the following tariff subheadings and statistical codes in Schedule 3 to the *Customs Tariff Act 1995*.

For galvanised steel:

- 7210.49.00 (statistical codes 55, 56, 57 and 58);
- 7212.30.00 (statistical code 61);
- 7225.92.00 (statistical code 38); and
- 7226.99.00 (statistical code 71).

For aluminium zinc coated steel:

- 7210.61.00 (statistical codes 60, 61 and 62)

These tariff classifications and statistical codes may include goods that are both subject and not subject to these reviews. The listing of these tariff classifications and statistical codes are for convenience or reference only and do not form part of the goods description. Please refer to the relevant goods description regarding goods the subject of these reviews.

### **3.4 Like goods**

Subsection 269T(1) defines like goods as:

*“...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.”*

The definition of like goods is relevant in the context of these reviews in determining the normal value of goods exported to Australia, the NIPs and the goods subject to the dumping duty notices and countervailing duty notices. The Commission’s framework for assessing like goods is outlined in Chapter 2 of the Commission’s *Dumping and Subsidy Manual* (the Manual).<sup>26</sup>

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<sup>26</sup> Available on the Commission [website](#).

## 4 VARIABLE FACTORS – DUMPING DUTY NOTICES

### 4.1 Finding

The Commissioner finds that the variable factors relevant to the determination of dumping duty payable under the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act) have changed in respect of both galvanised steel and aluminium zinc coated steel.

The Commissioner recommends to the Assistant Minister that the relevant dumping duty notices have effect as if different variable factors had been ascertained. The revised variable factors have resulted in different dumping margins relevant to the taking of IDD.

### 4.2 Calculation of dumping margins

For all dumping margins calculated for the purposes of these reviews, the Commission compared the weighted average export prices over the whole of the review period with the weighted average corresponding normal values over the whole of that period, in accordance with subsection 269TACB(2)(a).

#### 4.2.1 Uncooperative exporters

Subsection 269T(1) provides that an exporter is an “uncooperative exporter”, where the Commissioner is satisfied that an exporter did not give the Commissioner information that the Commissioner considered to be relevant to the investigation, within a period the Commissioner considered to be reasonable, or where the Commissioner is satisfied that an exporter significantly impeded the investigation.

The *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Direction) states at section 8 that the Commissioner must determine an exporter to be an uncooperative exporter, on the basis that no relevant information was provided in a reasonable period, if that exporter fails to provide a response or fails to request a longer period to do so within the legislated period. After having regard to the Direction, the Commissioner has determined that all exporters which did not provide a REQ, or which did not request a longer period to provide a response within the legislated period (being 37 days, concluding on 17 December 2017),<sup>27</sup> are uncooperative exporters for the purposes of these reviews.

As provided for in subsection 269TACAB(1), for uncooperative exporters, export price and normal value were worked out in accordance with subsection 269TAB(3) and subsection 269TAC(6) respectively by having regard to all relevant information.

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<sup>27</sup> As this was a Sunday, submissions were due by the next business day, 18 December 2017.



### 4.3 Particular market situation – China

The Commission has previously found that, in line with subsection 269TAC(2)(a)(ii), a situation exists in the domestic Chinese galvanised steel and aluminium coated steel markets that renders domestic selling prices in those markets unsuitable for the purposes of determining normal values for the goods under subsection 269TAC(1).<sup>28</sup> The Commission has examined again whether a particular market situation exists for these goods.

In line with its legislative requirements, the Commission's market situation assessments are undertaken at the level of the goods being investigated. In undertaking this assessment the Commission has also given consideration to conditions within the Chinese hot rolled coil (HRC) market, as HRC is estimated by the Commission to account for above 80 per cent of the cost to make for each of galvanised steel and aluminium zinc coated steel, and thus is a key determinant of the domestic price of galvanised steel and aluminium zinc coated steel in China.<sup>29</sup> The Commission has not undertaken an assessment of conditions within the Chinese iron ore, coking coal and coke markets, as it considers that any distortions within these markets would contribute to and be reflected in conditions within the Chinese HRC market.

In the course of conducting these reviews and the related continuation inquiries, the Commission conducted an analysis of the market for galvanised steel and aluminium zinc coated steel in China. The Commission has concluded that the Government of China (GOC) materially influenced conditions within the galvanised steel and aluminium zinc coated steel markets during the review period. The GOC was able to exert this influence through its directives and oversight, subsidy programs, taxation arrangements and the significant number of state owned enterprises and state invested enterprises (in this report, referred to collectively as SOEs).

The Commission also concludes that because of the significance of this influence over the Chinese galvanised steel and aluminium zinc coated steel market, the domestic price for Chinese galvanised steel and aluminium zinc coated steel was substantially different to what it would have been in the absence of these interventions. Based on this analysis, the Commission has determined that during the review period the domestic price for Chinese galvanised steel and aluminium zinc coated steel was influenced by the GOC to a degree which makes domestic sales unsuitable for use in determining normal values under subsection 269TAC(1).

**Appendix A** contains the Commission's detailed market situation analysis.

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<sup>28</sup> See, for example, REP 190, *Anti-Dumping Commission Report No. 355* (steel shelves) and *Anti-Dumping Commission Report Nos. 365, 366, 367, 368, 371, 372, 374, 375, and 376* (REP 365 et al).

<sup>29</sup> Estimate based on verified information for exporters visited as part of these reviews.

#### 4.3.1 Constructed normal value

As a result of the market situation findings, the Commission has constructed normal values for all cooperating Chinese exporters under subsection 269TAC(2)(c), which provides that normal values be calculated as the cost of production of the exported goods plus, on the assumption that the goods, instead of being exported, had been sold on the domestic market, the selling, general and administrative (SG&A) expenses associated with the sale of those goods, and an amount for profit.

#### 4.3.2 Approach to replacing HRC costs

In REP 190 it was determined that, in determining the cost of manufacture of the goods in China, the records of Chinese exporters of the goods did not reasonably reflect competitive market costs associated with the production or manufacture of those goods, for the purposes of the then equivalent to section 43 of the *Customs (International Obligations) Regulation 2015* (the Regulation).

After analysing the cost to make and sell (CTMS) data of the Chinese exporters, the Commission has again found that HRC represents the majority of the cost to make galvanised steel and aluminium zinc coated steel. Noting the significant GOC influence in the China domestic steel market set out in **Appendix A**, the Commission has again concluded that, for the purpose of these reviews, the HRC prices recorded by the Chinese exporters do not reasonably reflect competitive market costs.

Using an appropriate benchmark for the replacement of costs is important to ensure normal value is ascertained fairly. The Commission considered three potential sources of a benchmark for this purpose, being private domestic prices of HRC in China, import prices of HRC in China, or an external benchmark.

The Commission considers that, for the same reasons as set out in **Appendix A**, domestic prices of steel in China do not reflect competitive market costs and therefore are not suitable for this purpose. The Commission also considers that HRC import prices in China do not reflect competitive market prices due to the lack of import penetration.

Accordingly, the Commission has had regard to an external benchmark. The Commission has relied on the verified domestic HRC purchase costs from the review period available for exporters in Korea and Taiwan for this purpose, on the basis that these markets are characterised by a number of producers, buyers and sellers of HRC in an environment which appears to be free from distortions caused by government or other interference.

The Commission collated all HRC purchases from these exporters during the review period and calculated a quarterly weighted average HRC purchase cost in Chinese Yuan (RMB). Chinese exporters' domestic HRC purchase costs have been uplifted by the difference between the price actually paid by them for that product, and the price of the comparable competitive market benchmark. For fully integrated Chinese exporters, the HRC cost has been replaced in the exporters' CTMS data.

## **4.4 Variable factors: Galvanised steel**

### **4.4.1 Angang (China)**

The Commission conducted onsite verification of the data submitted by Angang in its REQ.

#### **4.4.1.1 Export price**

The Commission is satisfied that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods were arm's length transactions.

However the Commission considers that the export price for these sales cannot be determined under subsection 269TAB(1)(a) as the goods have not been purchased directly from the exporter, Angang, but through an intermediary.

Based on the information obtained at the verification visit which confirms that the importer has not purchased the goods from the exporter, the Commission considers that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Export prices were calculated at Free on Board (FOB) terms.

#### **4.4.1.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with generally accepted accounting principles (GAAP), and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in Angang's records do not reflect competitive market costs. The Commission has applied a cost replacement by reference to the benchmark discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in Angang's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by Angang from the sale of like goods in the ordinary course of trade (OCOT).

#### 4.4.1.3 Adjustments

The Commission 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:

Adjustment Type	Deduction/addition
Domestic inland transport	<b>Deduct</b> the cost of domestic inland transport
Export inland transport	<b>Add</b> the cost of export inland transport
Handling charges	<b>Add</b> the cost of export handling charges
Bank charges	<b>Add</b> the cost of export bank charges
Commission	<b>Add</b> the cost of export commission
Non-refundable Value Added Tax (VAT)	<b>Add</b> the non-refundable VAT amount of 4 per cent

**Table 5 – Adjustments to Angang normal value**

#### 4.4.1.4 Dumping margin

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Angang for the review period. The margin is **15.7 per cent**.<sup>30</sup>

The Commission's calculations are included at **Confidential Attachment 1**.

#### 4.4.2 YPC (China)

The Commission conducted onsite verification of the data submitted by YPC in its REQ.

##### 4.4.2.1 Export price

The Commission is satisfied that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods were arm's length transactions.

However the Commission considers that the export price for these sales cannot be determined under subsection 269TAB(1)(a) as the goods have not been purchased directly from the exporter, YPC, but through an intermediary.

Based on the information obtained at the verification visit which confirms that the importer has not purchased the goods from the exporter, the Commission considers that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Export prices were calculated at FOB terms.

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<sup>30</sup> This margin differs from that contained in SEF 456 and 457. Angang provided confidential feedback on the dumping margin calculation concerning the Commission's treatment of scrap costs when applying the HRC benchmark, but this was not received in time to be considered in preparing SEF 456 and 457. The Commission has agreed with Angang's observations, and has revised its approach accordingly.

#### **4.4.2.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in YPC's records do not reflect competitive market costs. The Commission has applied a cost replacement by reference to the benchmark discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in YPC's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by YPC from the sale of like goods in the OCOT.

#### **4.4.2.3 Adjustments**

The Commission 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	<b>Deduct</b> the cost of domestic inland transport
Domestic packaging	<b>Deduct</b> the cost of domestic packaging
Export inland transport	<b>Add</b> the cost of export inland transport
Export packaging	<b>Add</b> the cost of export packaging
Non-refundable VAT	<b>Add</b> the non-refundable VAT amount of 4 per cent

**Table 6 – Adjustments to YPC normal value**

#### **4.4.2.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by YPC for the review period. The margin is **6.7 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.3 Zongcheng (China)**

The Commission did not conduct an onsite verification of the data submitted by Zongcheng in its REQ. However, the Commission has previously undertaken an onsite verification of this exporter in the context of other cases, and the period examined substantially overlapped with the inquiry period.

##### **4.4.3.1 Export price**

The Commission is satisfied that in respect of Zongcheng's Australian sales of galvanised steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

##### **4.4.3.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in Zongcheng's records do not reflect competitive market costs. The Commission has applied an uplift in the HRC cost using the benchmark as discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in Zongcheng's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by Zongcheng from the sale of like goods in the OCOT.

##### **4.4.3.3 Adjustments**

The Commission 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>
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export terminal handling fee
Export commission	<b>Add</b> the cost of export commission
Export Inspection fee	<b>Add</b> the cost of export inspection fee

**Table 7 – Adjustments to Zongcheng normal value**

#### **4.4.3.4 Submission in respect of Zongcheng’s dumping margin calculation**

In the dumping margin calculation in SEF 456 and 457, the Commission calculated the CTMS, normal value, export price and dumping margin on a quarterly basis.

Zongcheng submits that the Commission should conduct its calculations monthly rather than quarterly, due to significant variations in costs across quarterly periods which are likely to distort the overall product dumping margin. The Manual suggests that the CTMS may be calculated monthly where there are significant variations in the raw material costs. The Manual also suggests that a weighted average normal value may be calculated monthly where there are erratic movements in costs and/or prices over short periods within the review period.<sup>31</sup>

The Commission has analysed the raw material costs and found that these have not varied significantly. The Commission has also analysed Zongcheng’s CTMS data and has found that there were no “erratic” movements in costs and/or prices over short periods. For these reasons, the calculations for Zongcheng have been undertaken on a quarterly basis.

Zongcheng also submits that the Commission has incorrectly compared the HRC benchmark with Zongcheng’s *net* HRC costs which include the allocation of revenue from the sale of scrap generated during the production process.<sup>32</sup> The Commission has accepted Zongcheng’s submission in this respect, and revised the HRC cost allocation accordingly.

Zongcheng also submits that the Commission has not considered width in its calculations. The Commission has previously undertaken an onsite verification of this exporter in the context of other cases which had covered overlapping periods. Those previous cases found that it is most appropriate to consider base metal thickness and coating mass as the relevant model matching criteria, and the Commission considers there is no compelling basis to take a different approach in this instance.

#### **4.4.3.5 Dumping margin**

The Commission has recalculated a dumping margin in respect of the goods exported to Australia by Zoncheng for the review period. The margin is **18.6 per cent**.

The Commission’s calculations are included at **Confidential Attachment 1**.

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<sup>31</sup> EPR 457, [document 027](#) refers.

<sup>32</sup> Ibid.

#### 4.4.4 Guanzhou Dingxin (China)

The Commission did not conduct an onsite verification of the data submitted by Guanzhou Dingxin in its REQ. As noted in SEF 456 and 457, the Commission required additional time to analyse the data initially provided by Guanzhou Dingxin as well as revised cost data, and to compare this data to that obtained for other Chinese exporters. As a result of this analysis the Commission is satisfied that the information provided by Guanzhou Dingxin is complete, accurate and reliable.

##### 4.4.4.1 Export price

It is the Commission's view that the application of subsection 269TAB(1) would require Guanzhou Dingxin to have exported the goods to Australia during the review period. Guanzhou Dingxin did not export the goods to Australia during the review period. As such, sufficient information is not available to enable the export price of the goods to be ascertained using:

- the price paid or payable by the importer, less transport or other charges arising after exportation of the goods;<sup>33</sup> or
- the price at which the goods were sold by the importer in Australia less prescribed deductions;<sup>34</sup> or
- the price having regard to all the circumstances of the exportation.<sup>35</sup>

As the Commission has found that Guanzhou Dingxin did not export the goods to Australia during the review period, the Commission has considered whether the requirements of subsection 269TAB(2A) have been met and therefore whether Guanzhou Dingxin's export price should be determined under subsection 269TAB(2B).

The Commission notes that the explanatory memorandum to the Customs Amendment considers circumstances:

...where an Exporter has never exported the goods subject to measures to Australia. In a review of measures in relation to that Exporter, if there have still been no exports, it may be appropriate to determine that Exporter's export price under subsection 269TAB(3) despite the methods in new subsection 269TAB(2B) [of the Act].

Noting this, and considering the elements of (i) previous volumes of exports, (ii) patterns of trade for like goods and (iii) factors affecting patterns of trade for like goods that are not within the control of the exporter, in respect of Guanzhou Dingxin, the Commission considers Guanzhou Dingxin not to be a 'low volume' exporter as defined in subsection 269TAB(2A). Therefore, the Commission considers it appropriate that the export price, for the purposes of this review, be determined under subsection 269TAB(3), having regard to all relevant information.

The Commission considers it appropriate to determine the ascertained export price to be the same amount as that determined to be the ascertained normal value for the purposes of this review. This is on the basis that Guanzhou Dingxin, having not yet exported

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<sup>33</sup> Refer subsection 269TAB(1)(a) of the Act.

<sup>34</sup> Refer subsection 269TAB(1)(b) of the Act.

<sup>35</sup> Refer subsection 269TAB(1)(c) of the Act.

galvanized steel to Australia, has not been found to have dumped goods, therefore the ascertained normal value of like goods sold in the domestic market by Guanzhou Dingxin is the most relevant and reliable information available to determine Guanzhou Dingxin's ascertained export price.

#### **4.4.4.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed the normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in Guanzhou Dingxin's records do not reflect competitive market costs. The Commission has applied an uplift in the HRC cost using the benchmark as discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in Guanzhou Dingxin's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by Guanzhou Dingxin from the sale of like goods in the OCOT.

#### **4.4.4.3 Adjustments**

The Commission 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:

## PUBLIC RECORD

Adjustment Type	Deduction/addition
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export handling & other fee
Export commissions	<b>Add</b> the cost of export commissions
Export bank charges	<b>Add</b> the cost of export bank charges
Non-refundable VAT	<b>Add</b> the non-refundable VAT amount of 4 per cent

**Table 8 – Adjustments to Guanzhou Dingxin normal value**

#### **4.4.4.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Guanzhou Dingxin for the review period. The margin is **0 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.5 Dongbu (Korea)**

The Commission conducted an onsite verification of the data submitted by Dongbu in its REQ.

##### **4.4.5.1 Export price**

The Commission is satisfied that in respect of Dongbu's Australian sales of galvanised steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

##### **4.4.5.2 Normal value**

The Commission is satisfied that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The Commission is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

##### **4.4.5.3 Adjustments**

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

## PUBLIC RECORD

Adjustment Type	Deduction/addition
Domestic packing	<b>Deduct</b> the cost of domestic inland transport
Domestic inland freight	<b>Deduct</b> the cost of domestic inland freight
Domestic credit costs	<b>Deduct</b> the cost of domestic credit
Export inland freight	<b>Add</b> the cost of export inland freight
Export handling	<b>Add</b> the cost of the export handling
Export packing	<b>Add</b> the cost of export packing
Export bank charges	<b>Add</b> the cost of export bank charges
Export credit costs	<b>Add</b> the cost of export credit

**Table 9 – Adjustments to Dongbu normal value**

#### **4.4.5.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Dongbu for the review period. The margin is **2.4 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.6 POSCO (Korea)**

The Commission conducted an onsite verification of the data submitted by POSCO in its REQ.

##### **4.4.6.1 Export price**

The Commission is satisfied that in respect of POSCO's Australian sales of galvanised steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

##### **4.4.6.2 Normal value**

The Commission is satisfied that there are some models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The Commission is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

The Commission is satisfied that there are ten models with insufficient volumes of domestic sales of the goods, exported to Australia. The Commission considers that for these models, normal value will be calculated under subsection 269TAC(2)(c).

##### **4.4.6.3 Adjustments**

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

## PUBLIC RECORD

Adjustment Type	Deduction/addition
Domestic packing	<b>Deduct</b> domestic packing
Domestic inland transport	<b>Deduct</b> the cost of domestic inland transport
Domestic warehousing	<b>Deduct</b> domestic warehousing
Domestic credit	<b>Deduct</b> the cost of domestic credit
Domestic warranties	<b>Deduct</b> domestic warranties
Export packing	<b>Add</b> export packing
Export inland transport	<b>Add</b> the cost of export inland transport
Export handling / other	<b>Add</b> the cost of export terminal handling and loading fees
Export credit	<b>Add</b> export credit terms

**Table 10 – Adjustments to POSCO normal value**

#### **4.4.6.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by POSCO for the review period. The margin is **negative 15.4 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.7 YPE (Taiwan)**

The Commission conducted an onsite verification of the data submitted by YPE in its REQ.

##### **4.4.7.1 Export price**

The Commission is satisfied that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods were arm's length transactions.

However, the Commission considers that the export price for these sales cannot be determined under subsection 269TAB(1)(a) as the goods have not been purchased directly from the exporter, YPE, but through an intermediary.

Based on the information obtained at the verification visit which confirms that the importer has not purchased the goods from the exporter, the Commission considers that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Export prices were calculated at FOB terms.

##### **4.4.7.2 Normal value**

The Commission is satisfied that there is sufficient volumes of domestic sales of like goods that were arms' length transactions and at prices that were in the OCOT for 12 out of 26 of the models exported to Australia. The Commission is therefore satisfied that the prices paid in respect of those domestic sales of galvanised steel are suitable for assessing normal value under subsection 269TAC(1) for those 12 models.

For the remaining 14 export models, the Commission is satisfied that the normal value must be calculated under subsection 269TAC(2)(c).

#### **4.4.7.3 Adjustments**

The Commission is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and (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 packaging	<b>Deduct</b> the cost of domestic packaging
Domestic inland freight	<b>Deduct</b> the cost of domestic inland freight
Domestic credit	<b>Deduct</b> the cost of domestic credit
Export packaging	<b>Add</b> the cost of export packaging
Export inland freight	<b>Add</b> the cost of export inland freight
Export handling	<b>Add</b> the cost of export handling
Export port charges	<b>Add</b> the cost of export port charges, including trade promotion fee, harbour construction fee, cargo certification fee, warehousing expense and cargo loading fees
Export credit	<b>Add</b> the cost of export credit

**Table 11 – Adjustments to YPE normal value**

#### **4.4.7.4 Submissions in respect of YPE’s dumping margin calculation**

CITIC, an importer of the goods from YPE, submits that a proper Review of the anti-dumping measures in respect of galvanised steel exported by YPE (and one which took into account an “overlooked submission” by CITIC) would have found no dumping or no more than a *de minimis* dumping margin.<sup>36</sup>

On 28 May 2018, the Commission advised CITIC that it had not received any previous submissions from that importer in respect of these reviews. The Commission received no response, but infers from CITIC’s submission to the continuation inquiries that CITIC was referring to an application it made to extend these reviews to include consideration of whether the measures ought to be revoked.<sup>37</sup> The Commission notes that an application that a review be extended to include revocation is only required to be published if the application is accepted by the Commissioner.<sup>38</sup>

As noted previously, the submission which CITIC considers was overlooked contained no information which was relevant to the ascertainment of the variable factors applying to the goods the subject of the notices, which is the purpose of the present reviews. Rather, the submission argued that the applications lodged by BlueScope (seeking the continuation of the anti-dumping measures) did not provide sufficient evidence to duly substantiate the probability of more than *de minimis* dumping occurring from each target country, nor that

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<sup>36</sup> EPR 457, [document 026](#) refers.

<sup>37</sup> EPR 449, [document 014](#), paragraph 170 refers.

<sup>38</sup> Section 269ZCC refers.



probable material injury would be caused by that hypothesised dumping. That submission therefore contained no information which the Commission considers was material to the review of measures for galvanised steel.

In any event, having conducted an on-site verification of the data provided by YPE in respect of its domestic and export sales, the Commission considers that it has relied on complete, relevant and accurate information for the purpose of ascertaining the variable factors relevant to YPE during the review period.

#### **4.4.7.5 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by YPE for the review period. The margin is **2.4 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.8 Synn Industrial (Taiwan)**

The Commission did not conduct an onsite verification of the data submitted by Synn Industrial in its REQ. The Commission compared the data submitted by Synn Industrial to other exporters in Taiwan and similar data obtained from Synn Industrial in previous cases and was satisfied that the information provided was complete, accurate and reliable.

##### **4.4.8.1 Export price**

The Commission is satisfied that in respect of Synn Industrial's Australian sales of galvanised steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

##### **4.4.8.2 Normal value**

The Commission is satisfied that there is sufficient volumes of domestic sales of like goods that were arms' length transactions and at prices that were in the OCOT for one out of five of the models exported to Australia. The Commission is therefore satisfied that the prices paid in respect of those domestic sales of galvanised steel are suitable for assessing normal value under subsection 269TAC(1) for that one model.

For the remaining four export models, the Commission constructed the normal value under subsection 269TAC(2)(c).

The Commission has corrected an error in the CTMS calculation used in SEF 456 and 457 when constructing normal values under subsection 269TAC(2)(c).

##### **4.4.8.3 Adjustments**

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

Adjustment Type	Deduction/addition
Domestic inland transport	<b>Deduct</b> the cost of domestic inland transport
Domestic credit cost	<b>Deduct</b> the cost of domestic credit costs
Domestic packing cost	<b>Deduct</b> the cost of packing expenses
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export terminal handling fee
Export Customs brokerage fee	<b>Add</b> the cost of export Customs brokerage fee
Export harbour service fee	<b>Add</b> the cost of export harbour service fee
Export trade promotion fee	<b>Add</b> the cost of export trade promotion fee
Export commission	<b>Add</b> the cost of export commission
Export documentation fee	<b>Add</b> the cost of export documentation fee

**Table 12 – Adjustments to Synn Industrial normal value**

#### **4.4.8.4 Submission in respect of Synn Industrial's dumping margin calculation**

In the dumping margin calculation in SEF 456 and 457, the Commission calculated the CTMS, normal value, export price and dumping margin on a quarterly basis.

Synn Industrial submits that the Commission should conduct its calculations monthly rather than quarterly, due to significant variations in costs across quarterly periods which are likely to distort the overall product dumping margin. The Manual suggests that the CTMS may be calculated monthly where there are significant variations in the raw material costs. The Manual also suggests that a weighted average normal value may be calculated monthly where there are erratic movements in costs and/or prices over short periods within the review period.<sup>39</sup>

The Commission has analysed the raw material costs and found that these have not varied significantly. The Commission has also analysed Synn Industrial's CTMS data and has found that there were no "erratic" movements in costs and/or prices over short periods. For these reasons, the calculations for Synn Industrial have been undertaken on a quarterly basis.

Synn Industrial also submits that rather than constructing normal values for four export models under subsection 269TAC(2)(c), the Commission should make specification adjustments to certain export models when suitable domestic sales exist during the review period which allow for normal values to be determined pursuant to subsection 269TAC(1).<sup>40</sup> The Commission has not found sufficient domestic sales of appropriate export models to use for specification adjustments. The Commission has therefore

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<sup>39</sup> EPR 457, [Document 028](#) refers.

<sup>40</sup> Ibid.

constructed normal values pursuant to subsection 269TAC(2)(c) for the four export models with insufficient domestic sales.

Synn Industrial also submits that the Commission, in its OCOT test calculations, has incorrectly compared ex works (EXW) sales with delivered CTMS and a delivered CTMS was incorrectly used in the constructed normal value calculation.<sup>41</sup> The Commission has corrected this and has calculated domestic sales at an EXW level and compared these with EXW CTMS. The Commission has also used an EXW CTMS in constructing normal values.

#### **4.4.8.5 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Synn Industrial for the review period. The margin is **6.1 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.9 Chung Hung (Taiwan)**

The Commission did not conduct an onsite verification of the data submitted by Chung Hung in its REQ. The Commission compared the data submitted by Chung Hung to other exporters from Taiwan and similar data obtained from Chung Hung in previous cases and was satisfied that the information provided was complete, accurate and reliable.

##### **4.4.9.1 Export price**

The Commission is satisfied that in respect of Chung Hung's Australian sales of galvanised steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

##### **4.4.9.2 Normal value**

The Commission is satisfied that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The Commission is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

##### **4.4.9.3 Adjustments**

The Commission is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8), 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	<b>Deduct</b> the cost of domestic inland transport

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<sup>41</sup> Ibid.

Domestic credit cost	<b>Deduct</b> the cost of domestic credit costs
Domestic packing cost	<b>Deduct</b> the cost of packing expenses
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export terminal handling fee
Export survey fee	<b>Add</b> the cost of export survey fee
Export Customs brokerage fee	<b>Add</b> the cost of export Customs brokerage fee
Export harbour service fee	<b>Add</b> the cost of export harbour service fee
Export trade promotion fee	<b>Add</b> the cost of export trade promotion fee
Export commission	<b>Add</b> the cost of export commission
Export service fee	<b>Add</b> the cost of export service fee
Export other charges	<b>Add</b> the cost of export other charges

**Table 13 – Adjustments to Chung Hung normal value**

#### **4.4.9.4 Submissions in respect of Chung Hung’s dumping margin calculation**

In the dumping margin calculation in SEF 456 and 457, the Commission excluded certain models from the normal value calculation which were like to export models for which an exemption under section 8 of the Dumping Duty Act has previously been granted. The Commission had also excluded the export models that met the terms of the exemptions from the calculation of export price, which accounted for a majority of all of Chung Hung’s exports during the review period.

Chung Hung submits that all sales (inclusive of those meeting the terms of the relevant exemption) of all models in OCOT should be included in the normal value calculation. Chung Hung points to subsection 269TAC(1) to submit that no exclusion of goods based on an exemption is permitted. That subsection states that “the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter...”.<sup>42</sup>

The Commission has reviewed the calculation and the relevant provisions. The Commission notes that subsection 8(7) of the Dumping Duty Act states that the Minister may exempt goods from the payment of interim dumping duty and dumping duty. In the Commission’s view, however, such an exemption does not exclude the goods from the operation of a notice under section 269TG. Noting that the Minister has a discretion to revoke an exemption at any time (for example, because the exemption was granted on the basis of a Tariff Concession Order that is no longer in force), the Commission’s view is that such goods remain subject of the notice despite not attracting a duty liability.

Accordingly, the Commission has accepted Chung Hung’s submission with respect to the calculation of normal value. However, similar to the argument above, the Commission observes that the terms of subsection 269TAB(1)(a) are inclusive of all export sales (not simply those that have attracted a duty liability). As a result, the Commission has

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<sup>42</sup> EPR 457, [document 025](#) refers.

updated the dumping margin calculation to also include any goods which are subject to an exemption notice.

#### **4.4.9.5 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Chung Hung for the review period. The margin is **10.2 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.4.10 Uncooperative and all other exporters**

##### **4.4.10.1 China**

For all other exporters from China, the Commission has calculated export price and normal value (and subsequently a dumping margin) by reference to all relevant information. The Commission has done this by comparing the highest weighted average normal value calculated for the cooperating exporters and compared it to the lowest weighted average export price calculated for cooperating exporters. The margin for all other exporters of the goods from China is **20.6 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

##### **4.4.10.2 Korea**

For all other exporters from Korea, the Commission has calculated export price and normal value (and subsequently a dumping margin) by reference to all relevant information. The Commission has done this by comparing the highest normal value calculated for the cooperating exporters and compared it to the lowest export price calculated for cooperating exporters. The margin for all other exporters of the goods from Korea is **13.7 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

##### **4.4.10.3 Taiwan**

For all other exporters from Taiwan, the Commission has calculated export price and normal value (and subsequently a dumping margin) by reference to all relevant information. The Commission has done this by comparing the highest normal value calculated for the cooperating exporters and compared it to the lowest export price calculated for cooperating exporters. The margin for all other exporters of the goods from Taiwan is **28.2 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.5 Variable factors: Aluminium zinc coated steel**

##### **4.5.1 YPC (China)**

The Commission conducted onsite verification of the data submitted by YPC in its REQ.

##### **4.5.1.1 Export price**

The Commission is satisfied that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods were arm's length transactions.

However the Commission considers that the export price for these sales cannot be determined under subsection 269TAB(1)(a) as the goods have not been purchased directly from the exporter, YPC, but through an intermediary.

Based on the information obtained at the verification visit which confirms that the importer has not purchased the goods from the exporter, the Commission considers that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation.

Export prices were calculated at FOB terms.

#### **4.5.1.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in YPC's records do not reflect competitive market costs. The Commission has applied a cost replacement by reference to the benchmark discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in YPC's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by YPC from the sale of like goods in the OCOT.

#### **4.5.1.3 Adjustments**

The Commission 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:



## PUBLIC RECORD

Adjustment Type	Deduction/addition
Domestic inland transport	<b>Deduct</b> the cost of domestic inland transport
Domestic packaging	<b>Deduct</b> the cost of domestic packaging
Export inland transport	<b>Add</b> the cost of export inland transport
Export packaging	<b>Add</b> the cost of export packaging
Non-refundable VAT	<b>Add</b> the non-refundable VAT amount of 4 per cent

**Table 14 – Adjustments to YPC normal value**

### **4.5.1.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by YPC for the review period. The margin is **27.6 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

### **4.5.2 Zongcheng (China)**

The Commission did not conduct an onsite verification of the data submitted by Zongcheng in its REQ. However, the Commission has previously undertaken an onsite verification of this exporter in the context of other cases, and the period examined substantially overlapped with the inquiry period

#### **4.5.2.1 Export price**

The Commission is satisfied that in respect of Zongcheng's Australian sales of aluminium zinc coated steel, the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at FOB terms.

#### **4.5.2.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in Zongcheng's records do not reflect competitive market costs. The Commission has applied an uplift in the HRC cost using the benchmark as discussed in section 4.3.2 and in accordance with the Regulation as described above.



The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in Zongcheng's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by Zongcheng from the sale of like goods in the OCOT.

#### **4.5.2.3 Adjustments**

The Commission 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>
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export terminal handling fee
Export commission	<b>Add</b> the cost of export commission
Export Inspection fee	<b>Add</b> the cost of export inspection fee

**Table 15 – Adjustments to Zongcheng normal value**

#### **4.5.2.4 Submission in respect of Zongcheng's dumping margin calculation**

In the dumping margin calculation in SEF 456 and 457, the Commission calculated the CTMS, normal value, export price and dumping margin on a quarterly basis.

Zongcheng submit that the Commission should conduct their calculations monthly rather than quarterly, due to significant variations in costs across quarterly periods which are likely to distort the overall product dumping margin. The Manual suggests that the CTMS may be calculated monthly where there are significant variations in the raw material costs. The Manual also suggests that a weighted average normal value may be calculated monthly where there are erratic movements in costs and/or prices over short periods within the review period.<sup>43</sup>

The Commission has analysed the raw material costs and found that these have not varied significantly. The Commission has also analysed Zongcheng's CTMS data and has found that that there were no "erratic" movements in costs and/or prices over short periods. For these reasons, the calculations for Zongcheng have been undertaken on a quarterly basis.

Zongcheng also submit that the Commission has incorrectly compared the HRC benchmark with Zongcheng's *net* HRC costs which include the allocation of revenue from the sale of scrap generated during the production process.<sup>44</sup> The Commission has

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<sup>43</sup> EPR 457, [document 027](#) refers.

<sup>44</sup> Ibid.

accepted Zongcheng's submission in this respect, and revised the HRC cost allocation accordingly.

Zongcheng also submits that the Commission has not considered width in its calculations. The Commission has previously undertaken an onsite verification of this exporter in the context of other cases which had covered overlapping periods. Those previous cases found that it is most appropriate to consider base metal thickness and coating mass as the relevant model matching criteria, and the Commission considers there is no compelling basis to take a different approach in this instance.

#### **4.5.2.5 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Zongcheng for the review period. The margin is **9.5 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

#### **4.5.3 Angang (China)**

The Commission conducted onsite verification of the data submitted by Angang in its REQ.

##### **4.5.3.1 Export price**

Angang did not export any volumes of aluminium zinc coated steel to Australia during this review period. Angang did, however, export aluminium zinc coated steel to Australia during the original investigation, which was used in the calculation of a dumping margin.

The Commission has considered whether the requirements of subsection 269TAB(2A) have been met, and therefore, whether Angang's export price is to be determined under subsection 269TAB(2B). Subsection 269TAB(2A) specifies that the export price of the goods exported to Australia may be determined by the Minister in accordance with subsection 269TAB(2B) if:

- (a) the price is being ascertained in relation to an exporter of those goods (whether the review is of the measures as they affect a particular exporter of those goods, or as they affect exporters of those goods generally); and
- (b) the Minister determines that there is insufficient or unreliable information to ascertain the price due to an absence or low volume of exports of those goods to Australia by that exporter having regard to the following:
  - (i) previous volumes of exports of those goods to Australia by that exporter;
  - (ii) patterns of trade for like goods;
  - (iii) factors affecting patterns of trade for like goods that are not within the control of the exporter.

The Commission has considered these elements as set out above in regards to Angang.

##### **Previous volumes of exports by Angang – subsection 269TAB(2A)(b)(i)**

Angang has previously exported aluminium zinc coated steel prior to the review period, during the original investigation period (1 July 2011 to 30 June 2012).

The Commission has compared previous export volumes to those volumes in the current review period and find that Angang is exporting aluminium zinc coated steel to Australia in lower volumes than previously.

Patterns of trade for like goods – subsection 269TAB(2A)(b)(ii)

The Commission has examined exports of aluminium zinc coated steel to Australia from all sources. This examination indicates that, despite a decline in imports of aluminium zinc coated steel from Angang, demand for aluminium zinc coated steel persists in the Australian domestic market generally, and there does not appear to have been a marked decline in overall volume of aluminium zinc coated steel exports to Australia.

In addition, other exporters the subject of this review have exported aluminium zinc coated steel to Australia in consistent volumes. The Commission therefore considers that Angang's low volume of exports to Australia during the review period, does not pertain to an absence of exports, or low volume of exports, to Australia generally.

Factors affecting patterns of trade – subsection 269TAB(2A)(b)(iii)

The Commission notes that the explanatory memorandum<sup>45</sup> for these provisions identifies factors that may affect patterns of trade for like goods that are not within the control of the exporter. Such factors may include supply disruptions or natural events (such as flood, drought or fire) that affect production levels.

The Commission found that Angang manufactured and sold like goods on the domestic market and to third countries during the review period (see exporter verification report on the public record). The Commission considers that this indicates that there do not appear to be any factors (such as natural events) that are not within the control of Angang that are affecting trade for like goods.

Commission's consideration – subsection 269TAB(2A)

Having regard to the above, the Commission considers that, for Angang, there is insufficient or unreliable information to ascertain an export price due to a low volume of exports to Australia. Angang previously exported the goods to Australia in higher volumes and, despite the reduction in exports from Angang, imports of aluminium zinc coated steel overall have not similarly declined. In addition, Angang has not demonstrated that there are factors affecting the patterns of trade that are beyond its control.

Therefore, the Commission considers it appropriate to ascertain export prices under subsection 269TAB(2B). Pursuant to this subsection, the Commission is able to determine an export price having regard to any of the following:

- a previous export price for the goods exported to Australia by Angang, established in accordance with subsection 269TAB(1), for a decision of a kind mentioned in subsection 269TAB(2D);<sup>46</sup>

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<sup>45</sup> Refer page 31 of the explanatory memorandum to the *Customs Amendment (Anti-Dumping Measures) Bill 2017*.

<sup>46</sup> Subsection 269TAB(2B)(a).

- the price paid or payable for like goods sold by Angang in arms length transactions for exportation from China to a third country determined by the Minister to be an appropriate third country;<sup>47</sup> or
- an export price for like goods exported to Australia from China by another exporter or exporters established in accordance with subsection 269TAB(1) for a decision mentioned in subsection 269TAB(2D).<sup>48</sup>

Previous export price – subsection 269TAB(2B)(a)

An export price for Angang was determined under subsection 269TAB(1) for the purposes of publishing the notice under subsections 269TG(1) and (2) with respect to the original investigation. The decisions to publish notices under subsections 269TG(1) and (2) are decisions referred to in subsection 269TAB(2D). Therefore subsection 269TAB(2B)(a) is available for determining the export price.

Third country export price – subsection 269TAB(2B)(b)

Angang indicated in its REQ that it did export to third countries during the review period. The Commission confirmed third country exports by Angang during an onsite verification visit. The Commission did not find any evidence to suggest exports to third countries were not at arms length. Therefore subsection 269TAB(2B)(b) is available for determining the export price.

Another exporter's export price – subsection 269TAB(2B)(c)

Yieh Phui (China) and Zongcheng both exported the goods to Australia and are also subject to this review. Subsection 269TAB(2E) provides that, for the purposes of subsection 269TAB(2B)(c), a decision, as listed in subsection 269TAB(2D), must be (a) made not more than 2 years before the day the Commissioner published a notice of the review, and (b) made by the day the notice of review is published under subsection 269ZDB. Both exporters will have their export price determined under subsection 269TAB(1). Therefore subsection 269TAB(2B)(c) is available for determining Angang's export price.

Commission's consideration – subsection 269TAB(2B)

All three methodologies set out under subsection 269TAB(2B) are available for determining Angang's export price. The Commission considers that the export prices of other exporters in the review period, being established in accordance with subsection 269TAB(1) in this review, reflect current market conditions and market prices of the goods exported to Australia from China.

The Commission's view is that these prices most reasonably reflect the export prices that Angang would have achieved if it had exported during the review period, and therefore is the most appropriate basis on which to determine Angang's export price.

The Commission established export prices for Angang using the weighted average export prices of YPC and Zongcheng during the review period.

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<sup>47</sup> Subsection 269TAB(2B)(b).

<sup>48</sup> Subsection 269TAB(2B)(c).

Angang's export price calculations are at **Confidential Attachment 1**.

#### **4.5.3.2 Normal value**

The Commission is satisfied that due to a situation in the domestic market in China, domestic selling prices are not suitable for determining normal value under subsection 269TAC(1). The Commission has therefore constructed normal value under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Subsection 43(2) of the Regulation requires that, if an exporter keeps records relating to the like goods which are in accordance with GAAP, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

As discussed in section 4.3.2, the Commission has determined that the costs relating to purchases of HRC during the inquiry period contained in Angang's records do not reflect competitive market costs. The Commission has applied a cost replacement by reference to the benchmark discussed in section 4.3.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under subsection 44(2) of the Regulation. The Commission calculated a weighted average SG&A cost using the information set out in Angang's SG&A records relating to sales of like goods during the inquiry period.

The Commission has calculated an amount for profit under subsection 45(2) of the Regulation. The Commission calculated an amount of profit using actual amounts realised by Angang from the sale of like goods in the OCOT.

#### **4.5.3.3 Adjustments**

The Commission 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	<b>Deduct</b> the cost of domestic inland transport
Export inland transport	<b>Add</b> the cost of export inland transport
Handling charges	<b>Add</b> the cost of export handling charges
Bank charges	<b>Add</b> the cost of export bank charges
Commission	<b>Add</b> the cost of export commission
Non-refundable VAT	Add the non-refundable VAT amount of 4 per cent

**Table 16 – Adjustments to Angang normal value**

#### 4.5.3.4 Dumping margin

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Angang for the review period. The margin is **29.3 per cent.**<sup>49</sup>

The Commission's calculations are included at **Confidential Attachment 1**.

#### 4.5.4 **Dongbu (Korea)**

The Commission conducted an onsite verification of the data submitted by Dongbu in its REQ.

##### 4.5.4.1 Export price

Dongbu exported a small volume of aluminium zinc coated steel to Australia in the review period when compared to the volume it exported to Australia in the original investigation period (REP 190).

The Commission has considered whether the requirements of subsection 269TAB(2A) have been met, and therefore, whether Dongbu's export price is to be determined under subsection 269TAB(2B). Subsection 269TAB(2A) specifies that the export price of the goods exported to Australia may be determined by the Minister in accordance with subsection 269TAB(2B) if:

- (a) the price is being ascertained in relation to an exporter of those goods (whether the review is of the measures as they affect a particular exporter of those goods, or as they affect exporters of those goods generally); and
- (b) the Minister determines that there is insufficient or unreliable information to ascertain the price due to an absence or low volume of exports of those goods to Australia by that exporter having regard to the following:
  - (i) previous volumes of exports of those goods to Australia by that exporter;
  - (ii) patterns of trade for like goods;
  - (iii) factors affecting patterns of trade for like goods that are not within the control of the exporter.

The Commission has considered these elements as set out above in regards to Dongbu as follows:

##### Previous volumes of exports by Dongbu – subsection 269TAB(2A)(b)(i)

Dongbu has previously exported the goods prior to the current review period, during the original investigation period (1 July 2011 to 30 June 2012). Since the original investigation, Dongbu has applied for two Reviews. It was observed that Dongbu's exports of aluminium zinc coated steel during Review 272 was substantially lower than the original investigation, and for Review 385 no exports of aluminium zinc coated were observed during the relevant review period.

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<sup>49</sup> This margin differs from that contained in SEF 456 and 457. Angang provided confidential feedback on the dumping margin calculation concerning the Commission's treatment of scrap costs when applying the HRC benchmark, but this was not received in time to be considered in preparing SEF 456 and 457. The Commission has agreed with Angang's observations, and has revised its approach accordingly.



The Commission has compared previous export volumes to those volumes in the current review period and finds that Dongbu is exporting aluminium zinc coated steel to Australia in significantly lower volumes than previously.

Patterns of trade for like goods – subsection 269TAB(2A)(b)(ii)

The Commission has examined exports of Dongbu to Australia from all sources. This examination indicates that, despite a decline in imports of aluminium zinc coated steel from Dongbu, demand for aluminium zinc coated steel persists in the Australian domestic market generally, and there does not appear to have been a marked decline in overall volume of aluminium zinc coated steel exports to Australia. In addition, non-subject exporters from Korea have continued to export aluminium zinc coated steel to Australia.

Factors affecting patterns of trade – subsection 269TAB(2A)(b)(iii)

The Commission notes that the explanatory memorandum<sup>50</sup> for these provisions identifies factors that may affect patterns of trade for like goods that are not within the control of the exporter. Such factors may include supply disruptions or natural events (such as flood, drought or fire) that affect production levels.

The Commission found that Dongbu manufactured and sold like goods on the domestic market and to third countries during the review period.<sup>51</sup> The Commission considers that this indicates that there do not appear to be any factors (such as natural events) that are not within the control of Dongbu that are affecting trade for like goods.

Commission's consideration – subsection 269TAB(2A)

Having regard to the above, the Commission considers that, for Dongbu, there is insufficient or unreliable information to ascertain an export price due to a low volume of exports to Australia. Dongbu previously exported the goods to Australia in higher volumes and, despite the reduction in exports from Dongbu, imports of aluminium zinc coated steel overall have not similarly declined. In addition, Dongbu has not demonstrated that there are factors affecting the patterns of trade that are beyond its control.

Therefore, the Commission considers it appropriate to ascertain export prices under subsection 269TAB(2B). Pursuant to this subsection, the Commission is able to determine an export price having regard to any of the following:

- a previous export price for the goods exported to Australia by Dongbu, established in accordance with subsection 269TAB(1), for a decision of a kind mentioned in subsection 269TAB(2D);<sup>52</sup>

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<sup>50</sup> Refer page 31 of the explanatory memorandum to the *Customs Amendment (Anti-Dumping Measures) Bill 2017*.

<sup>51</sup> EPR 449, [document 006](#) refers.

<sup>52</sup> Subsection 269TAB(2B)(a)



- the price paid or payable for like goods sold by Dongbu in arms length transactions for exportation from Korea to a third country determined by the Minister to be an appropriate third country;<sup>53</sup> or
- an export price for like goods exported to Australia from Korea by another exporter or exporters established in accordance with subsection 269TAB(1) for a decision mentioned in subsection 269TAB(2D).<sup>54</sup>

Previous export price – subsection 269TAB(2B)(a)

An export price for Dongbu was determined under subsection 269TAB(1) for the purposes of publishing the notice under subsections 269TG(1) and (2) with respect to the original investigation. Subsequently, Review 272 and 273 also determined an export price as per subsection 269TAB(1). The decisions to publish notices under subsections 269TG(1) and (2) and subsection 269ZDB(1) are decisions referred to in subsection 269TAB(2D). Therefore subsection 269TAB(2B)(a) is available for determining the export price.

Third country export price – subsection 269TAB(2B)(b)

Dongbu indicated in its REQ that it exported to third countries during the review period. The Commission confirmed third country exports by Dongbu during an onsite verification visit. The Commission did not find any evidence to suggest exports to third countries were not at arms length. Therefore subsection 269TAB(2B)(b) is available for determining the export price.

Another exporter's export price – subsection 269TAB(2B)(c)

Subsection 269TAB(2B)(c) is not available for determining Dongbu's export price as there is no other exporter with a subsection 269TAB(1) export price available from Korea.

Commission's consideration – subsection 269TAB(2B)

Two of the methodologies set out under subsection 269TAB(2B) are available for determining Dongbu's export price. The Commission considers third country sales as per subsection 269TAB(2B)(c) to be the most appropriate methodology for calculating an export price from Dongbu for the following reasons:

- models sold in previous subsection 269TAB(1) export price determinations, as per notices published under subsection 269TAB(2D) for Dongbu, are not like models to those sold in the domestic and export markets currently;
- Dongbu exported aluminium zinc coated steel to Belgium during the review period, therefore, there is information available in relation to the price paid or payable for like goods sold by Dongbu during the period of review;
- under subsection 269TAB(2F)(a), the Commission may have regard to the volume of trade from Korea to the third country. The Commission has analysed the volume of trade of like goods from Dongbu to Belgium, and observes that these volumes

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<sup>53</sup> Subsection 269TAB(2B)(b).

<sup>54</sup> Subsection 269TAB(2B)(c).

are similar to the volumes that were exported to Australia by Dongbu during the original investigation period;

- under subsection 269TAB(2F)(b), the Commission has considered whether the nature of the trade in goods exported between Korea and the third country is similar to the nature of the trade between Korea and Australia. *Anti-Dumping Commission Report Nos. 409 and 410*,<sup>55</sup> also concerning aluminium zinc coated steel, analysed the aluminium zinc coated steel imported into Belgium (rather than being exported from China, as was relevant to that case) to assess whether it is a suitable proxy for the Australian market. For the same reasons as were set out in that report, the Commission considers that the nature of trade between Korea and Belgium is similar to the nature of trade between Korea and Australia; and
- Dongbu's exports of aluminium zinc coated steel to Belgium have comparable product specifications and characteristics (such as coating mass, base metal thickness and width) to the aluminium zinc coated steel products sold in the Australian market by other exporters generally.

The Commission therefore considers that the determined export price (which is based on Dongbu's exports to Belgium) is a reasonable estimate of what the export price of the goods exported to Australia would have been had volumes of exports from Dongbu not been deemed to be low or no volume exports of aluminium zinc coated steel to Australia from Dongbu.

Dongbu's export price calculations are at **Confidential Appendix 1**.

#### **4.5.4.2 Normal value**

The Commission is satisfied that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The Commission is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

#### **4.5.4.3 Adjustments**

The Commission is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8), 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 packing	<b>Deduct</b> the cost of domestic inland transport
Domestic inland freight	<b>Deduct</b> the cost of domestic inland freight
Domestic credit costs	<b>Deduct</b> the cost of domestic credit
Export inland freight	<b>Add</b> the cost of export inland freight
Export handling	<b>Add</b> the cost of the export handling
Export packing	<b>Add</b> the cost of export packing
Export bank charges	<b>Add</b> the cost of export bank charges

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<sup>55</sup> Available on the Commission [website](#).

Export credit costs	Add the cost of export credit
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Table 17 – Adjustments to Dongbu normal value

Submissions in relation to Dongbu's dumping margin calculation

Dongbu submits that the Commission should rely on Dongbu's own export price in calculating a dumping margin, a finding which should be reached after examining Dongbu's export behaviour, past and present, along with market conditions at those points in time. Dongbu further submits that, should the Commission determine an export price based on third country sales, the Commission ought to explain its reasoning behind choosing a particular third country over another.<sup>56</sup>

The Commission considers that the approach already outlined is consistent with the requirements of the Act. The Commission considers that, having established that Belgium is an appropriate third country for the purpose of subsection 269TAB(2B)(b), no further examination of other potentially appropriate third countries is necessary to satisfy the requirements of the relevant provisions.

**4.5.4.4 Dumping margin**

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Dongbu for the review period. The margin is **17.7 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

**4.5.5 Uncooperative and all other exporters****4.5.5.1 China**

For all other exporters from China, the Commission has calculated export price and normal value (and subsequently a dumping margin) by reference to all relevant information. The Commission has done this by comparing the highest normal value calculated for the cooperating exporters and compared it to the lowest export price calculated for cooperating exporters. The margin for all other exporters of the goods from China is **31.5 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

**4.5.5.2 Korea**

For all other exporters from Korea, the Commission has calculated export price and normal value (and subsequently a dumping margin) by reference to all relevant information. The Commission has had regard to Dongbu's weighted average export price and its weighted average normal value (exclusive of favourable adjustments) for this purpose. The margin for all other exporters of the goods from Korea is **24.8 per cent**.

The Commission's calculations are included at **Confidential Attachment 1**.

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<sup>56</sup> Submission dated 23 May 2018, EPR 456, Document 016

## 5 VARIABLE FACTORS – COUNTERVAILING NOTICES

### 5.1 Findings

The Commissioner finds that the variable factors relevant to the determination of ICD under the Dumping Duty Act have not changed.

The Commissioner proposes to recommend to the Assistant Minister that the countervailing duty notices remain unchanged.

### 5.2 Relevant information

As noted in Chapter 2, the countervailing duty notice in respect of galvanised steel applies to all exporters from China other than Angang, ANSC-TKS Galvanizing, YPC and Zongcheng. The countervailing duty notice in respect of aluminium zinc coated steel applies to all exporters from China other than Angang, Zongcheng, Union Steel China and YPC.

The only exporter that is subject to a countervailing duty notice in these reviews that provided relevant information to the Commission is Guanzhou Dingxin.

The Commission has not received a Government of China (GOC) questionnaire response and has therefore relied on subsidy programs identified in REP 190, *Anti-Dumping Commission Report No. 316* and *Anti-Dumping Commission Report No. 379*. A total of 36 subsidy programs have been identified, with all but two being countervailable.

**Appendix B** sets out the Commission's analysis of these programs.

### 5.3 Countervailing margin: Galvanised steel

After assessing all relevant information provided by Guanzhou Dingxin, the Commission found that no subsidies have been received in respect of galvanised steel manufactured by Guanzhou Dingxin. As such, the subsidy margin applicable to Guanzhou Dingxin is zero per cent.

#### 5.3.1 Uncooperative and all other exporters

No response was received from any other exporter subject to the countervailing duty notice. On this basis, the Commission recommends that the countervailing duty notice applying to galvanised steel for uncooperative exporters remain unchanged.

### 5.4 Countervailing margin: Aluminium zinc coated steel

The Commission has not received a response from any exporters subject to the countervailing duty notice. Given that no GOC questionnaire response has been submitted, the Commission has relied on the findings of the original investigation. On this basis, the Commission recommends that the countervailing duty notice applying to aluminium zinc coated steel remain unchanged.

## 6 NON-INJURIOUS PRICE

### 6.1 Non-Injurious Price

The NIP is defined in section 269TACA as “the minimum price necessary to prevent the injury, or a recurrence of the injury” caused by the dumped or subsidised goods the subject of a dumping duty notice or a countervailing duty notice. The NIP is ordinarily determined by having regard to the Australian industry’s selling prices from a period where the industry is not affected by dumping.

### 6.2 Calculation of the NIP

The Commission generally derives the NIP by first establishing a price at which the Australian industry might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

The Commission’s preferred approach to establishing unsuppressed selling prices is set out in chapter 23 of the Manual and observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – the Australian industry CTMS, plus profit; or
- selling prices of undumped and unsubsidised imports.

Having calculated the unsuppressed selling price, the Commission then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit. The Commission’s unsuppressed selling price and NIP calculations are at **Confidential Attachment 2**.

#### 6.2.1 Discussion

During the original investigation (REP 190), the unsuppressed selling price was based on the Australian industry’s CTMS for the investigation period plus an amount for profit during the period. The NIP was then calculated by deducting amounts for post exportation costs.

BlueScope has submitted that it supports establishing the NIP at the normal value for each exporter.<sup>57</sup> BlueScope sees no need to alter this methodology, which was used in REP 365 et al.

For the purpose of these inquiries, an unsuppressed selling price for galvanised steel and for aluminium zinc coated steel has been established by reference to BlueScope’s CTMS, plus an amount of profit actually realised during the review period for each of the goods. The Commission has then made deductions for the profit obtained and the SG&A

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<sup>57</sup> EPR 456 Document 003 and EPR 457 Document 003.

expenses and into store costs incurred by the most efficient importer amongst those verified during each review in respect of each of the goods.

The Commission's calculation of the NIP applying to each exporting country is contained in **Confidential Attachment 2**.

### **6.3 Lesser Duty Rule**

The calculation of the NIP is relevant for the purposes of the lesser duty rule under the Dumping Duty Act.<sup>58</sup> The level of dumping duty imposed by the Assistant Minister cannot exceed the margin of dumping, but, where the NIP of the goods is less than the normal value of the goods, the Assistant Minister must also have regard to the desirability of fixing a lesser amount of duty.

However, pursuant to subsections 8(5BA) and (5BAAA) of the Dumping Duty Act, the Assistant Minister is not required to have regard to the desirability of fixing a lesser amount of duty in certain circumstances. As a particular market situation exists in China, the Assistant Minister is not required to have regard to the desirability of fixing a lesser amount of duty for China.

The Assistant Minister is required to have regard to the desirability of fixing a lesser amount of duty in certain circumstances for Korea and Taiwan.

The Commission has found that the NIP for dumped goods from Korea and Taiwan is not lower than the normal values of those goods. Therefore, the NIP is not the operative measure.

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<sup>58</sup> Subsection 8(5B) of the Dumping Duty Act.

## 7 FORM OF MEASURES

### 7.1 Findings

The Commissioner finds that, in relation to galvanised steel exported to Australia from China, Korea and Taiwan and aluminium zinc coated steel exported to Australia from China and Korea for all exporters generally during the review period:

- the ascertained export price has changed;
- the ascertained normal value has changed; and
- the amount of countervailable subsidy has not changed.

### 7.2 Forms of duty available – dumping

The forms of duty available to the Assistant Minister when imposing anti-dumping measures are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013*. In relation to IDD, the forms of duty are:

- fixed duty method (\$X per tonne);
- floor price duty method;
- combination duty method; or
- *ad valorem* duty method (i.e. a percentage of the export price).<sup>59</sup>

The various forms of dumping duty all have the purpose of removing the injurious effects of dumping. However, in achieving this purpose, certain forms of duty will better suit particular circumstances more so than others. In considering which form of duty to recommend to the Assistant Minister, the Commissioner will have regard to the *Guidelines on the Application of Forms of Dumping Duty* (the Guidelines)<sup>60</sup> and relevant factors in the market for the goods.

The Commission notes that currently, for some exporters, measures exist with both a fixed and variable element are currently imposed in the form of combination duty method, measures also exist with only a floor price for some exporters. The Commission considers that the combination duty method is the most appropriate form of duty in the current circumstances.

### 7.3 Forms of duty available – Countervailing

In relation to interim countervailing duty, duty may be calculated:

- as a proportion of the export price of the goods;
- by reference to a measure of the quantity of those particular goods; or
- by reference to a combination of the above two methods.

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<sup>59</sup> Section 5 of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

<sup>60</sup> The Guidelines are available on the Commission [website](#).



## **7.4 Recommendations**

The Commissioner recommends to the Assistant Minister that the dumping duty notice in respect of exports of:

- galvanised steel exported from China, Korea and Taiwan; and
- aluminium zinc coated steel exported from China and Korea;

have effect as if different variable factors had been ascertained.

The Commissioner recommends to the Assistant Minister that the countervailing duty notice in respect of exports of galvanised steel and aluminium zinc coated steel exported from China remain unchanged.

The Commissioner recommends that duties be calculated:

- in respect of any ICD that may become payable, as a proportion of the export price of the goods;<sup>61</sup> and
- in respect of any IDD that may become payable, using the combination of fixed and variable duty method.<sup>62</sup>

The tables below set out the anti-dumping measures that will apply if these recommendations are accepted.

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<sup>61</sup> In accordance with subsection 10(3B)(a) of the Dumping Duty Act.

<sup>62</sup> Pursuant to subsection 5(2) of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

#### 7.4.1 Galvanised steel

Country	Exporter	Measure	IDD	ICD	Form of measures
China	Angang	IDD	15.7%	N/A	Combination
	YPC	IDD	6.7%	N/A	Combination
	Zongcheng	IDD	18.6%	N/A	Combination
	ANSC-TKS Galvanizing Co Ltd also known as TAGAL	IDD	20.6%	N/A	Combination
	Guanzhou Dingxin	IDD	0%	0%	Floor price
	All other exporters	IDD & ICD	20.6%	22.8%	Combination
Korea	Dongkuk Steel Mill Co Ltd	Exempt			
	Dongbu	IDD	2.4%	N/A	Combination
	POSCO	IDD	0%	N/A	Floor price
	All other exporters	IDD	13.7%	N/A	Combination
Taiwan	Ta Fong Steel Co Ltd	Exempt			
	Sheng Yu Steel Co Ltd	Exempt			
	Chung Hung	IDD	10.2%	N/A	Combination
	YPE	IDD	2.4%	N/A	Combination
	Synn Industrial	IDD	6.1%	N/A	Combination
	All other exporters	IDD	28.2%	N/A	Combination

**Table 18: Proposed measures applying to galvanised steel**

**7.4.2 Aluminium zinc coated steel**

Country	Exporter	Measure	IDD	ICD	Form of measures
China	Angang	IDD	29.3%	N/A	Combination
	YPC	IDD	27.6%	N/A	Combination
	Zongcheng	IDD	9.5%	N/A	Combination
	Union Steel China Co. Ltd	IDD	31.5%	N/A	Combination
	All other exporters	IDD & ICD	31.5%	21.7%	Combination
Korea	Dongkuk Steel Mill Co Ltd	Exempt			
	Dongbu Steel Co Ltd	IDD	17.7%	N/A	Combination
	All other exporters	IDD	24.8%	N/A	Combination

**Table 19: Proposed measures applying to aluminium zinc coated steel**

## 8 RECOMMENDATIONS

On the basis of the reasons contained in this report, and in accordance with subsection 269ZDA(1) of the Act, the Commissioner recommends that the Assistant Minister be **satisfied** that:

- sufficient information has not been furnished, and is not available, to enable the export price of galvanised steel exported to Australia by ‘uncooperative and all other’ exporters from each of the countries subject to the anti-dumping measures, to be ascertained under subsections 269TAB(1)(a), (b) or (c);
- sufficient information has not been furnished, and is not available, to enable the export price of aluminium zinc coated steel exported to Australia by ‘uncooperative and all other’ exporters from each of the countries subject to the anti-dumping measures, to be ascertained under subsections 269TAB(1)(a), (b) or (c);
- the normal value of the galvanised steel exported to Australia from China cannot be ascertained under subsection 269TAC(1) because the situation in the market of China is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1);
- the normal value of the aluminium zinc coated steel exported to Australia from China cannot be ascertained under subsection 269TAC(1) because the situation in the market of China is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1);
- as per subsection 269TAC(6), sufficient information has not been furnished and is not available to enable the normal value of galvanised steel exported to Australia to be ascertained under the preceding provisions of subsection 269TAC for ‘uncooperative and all other’ exporters from each of the countries subject to the anti-dumping measures;
- as per subsection 269TAC(6), sufficient information has not been furnished and is not available to enable the normal value of aluminium zinc coated steel exported to Australia to be ascertained under the preceding provisions of subsection 269TAC for ‘uncooperative and all other’ exporters from each of the countries subject to the anti-dumping measures;
- pursuant to subsection 269TAB(1)(c), the galvanised steel exported by Yieh Phui (China) Technomaterial Co. Ltd has been exported to Australia otherwise than by the importer; and that the purchase of the galvanised steel by the importer was an arms length transaction; but that the galvanised steel was not purchased by the importer from the exporter directly;
- goods like the galvanised steel exported to Australia by Dongbu Steel Co Ltd were sold by Dongbu Steel Co Ltd in the ordinary course of trade for home consumption in Korea in sales that were arms length transactions.
- for the purpose of calculating normal value, goods like the galvanised steel exported to Australia by POSCO were sold by POSCO in the ordinary course of trade for home consumption in Korea in sales that were arms length transactions for some models;
- pursuant to subsection 269TAB(1)(c), the galvanised steel exported by Yieh Phui Enterprise Co Ltd has been exported to Australia otherwise than by the importer; and that the purchase of the galvanised steel by the importer was an arms length transaction; but that the galvanised steel was not purchased by the importer from the exporter directly;

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- for the purpose of calculating normal value, goods like the galvanised steel exported to Australia by Yieh Phui Enterprise Co Ltd were sold by Yieh Phui Enterprise Co Ltd in the ordinary course of trade for home consumption in Taiwan in sales that were arms length transactions for 12 models;
- for the purpose of calculating normal value, goods like the galvanised steel exported to Australia by Synn Industrial Co. Ltd were sold by Synn Industrial Co. Ltd in the ordinary course of trade for home consumption in Taiwan in sales that were arms length transactions for 1 model;
- for the purpose of calculating normal value, goods like the galvanised steel exported to Australia by Chung Hung Steel Corporation were sold by Chung Hung Steel Corporation in the ordinary course of trade for home consumption in Taiwan in sales that were arms length transactions;
- pursuant to subsection 269TAB(1)(c), the aluminium zinc coated steel exported by Yieh Phui (China) Technomaterial Co. Ltd has been exported to Australia otherwise than by the importer; and that the purchase of the aluminium zinc coated steel by the importer was an arms length transaction; but that the aluminium zinc coated steel was not purchased by the importer from the exporter directly;
- for the purpose of calculating normal value, goods like the aluminium zinc coated steel exported to Australia by Dongbu Steel Co Ltd were sold by Dongbu Steel Co Ltd in the ordinary course of trade for home consumption in Korea in sales that were arms length transactions; and
- the normal value of the goods sold in the China domestic market was not ascertained under subsection 269TAC(1) because of the operation of sub subsection 269TAC(2)(a)(ii).

The Commissioner recommends that the Assistant Minister **determine** that:

- the normal value of galvanised steel exported to Australia from China by Angang Steel Company Ltd, Yieh Phui (China) Technomaterial Co. Ltd, Jiangyin Zongcheng Steel Co Ltd and Shandong Guanzhou Dingxin Plate Technology Co. Ltd has been ascertained under subsection 269TAC(2)(c) due to a situation in the market of the country of export being such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1);
- the normal value of aluminium zinc coated steel exported to Australia from China by Angang Steel Company Ltd, Yieh Phui (China) Technomaterial Co. Ltd and Jiangyin Zongcheng Steel Co Ltd has been ascertained under subsection 269TAC(2)(c) due to a situation in the market of the country of export being such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1);
- pursuant to subsection 269TAB(3), the export price for the galvanised steel exported by Angang Steel Company Ltd be calculated having regard to all the circumstances of the exportation;
- pursuant to subsection 269TAC(9), the adjustments found at Table 5 of Anti-Dumping Commission Report Nos. 456 and 457 (REP 456 and 457) are necessary to ensure that the normal value is properly comparable with the export price of the galvanised steel exported by Angang Steel Company Ltd;
- pursuant to subsection 269TAB(1)(c), the export price for the galvanised steel exported by Yieh Phui (China) Technomaterial Co. Ltd be calculated having regard to all the circumstances of the exportation;

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- pursuant to subsection 269TAC(9), the adjustments found at Table 6 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the galvanised steel exported by Yieh Phui (China) Technomaterial Co. Ltd;
- pursuant to subsection 269TAB(1)(a), the export price for the galvanised steel exported by Jiangyin Zongcheng Steel Co Ltd is the price paid or payable for the galvanised steel by the importer, other than any part of that price that represents a change in respect of the transport of the galvanised steel after exportation or in respect of any other matter arising after exportation;
- pursuant to subsection 269TAC(9), the adjustments found at Table 7 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the galvanised steel exported by Jiangyin Zongcheng Steel Co Ltd;
- pursuant to subsection 269TAB(3), the export price for the galvanised steel exported by Shandong Guanzhou Dingxin Plate Technology Co. Ltd be calculated having regard to all relevant information;
- pursuant to subsection 269TAC(9), the adjustments found at Table 8 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the galvanised steel exported by Shandong Guanzhou Dingxin Plate Technology Co. Ltd;
- pursuant to subsection 269TAB(1)(a), the export price for the galvanised steel exported by Dongbu Steel Co Ltd is the price paid or payable for the galvanised steel by the importer, other than any part of that price that represents a change in respect of the transport of the galvanised steel after exportation or in respect of any other matter arising after exportation;
- pursuant to subsection 269TAC(8), the adjustments found at Table 9 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of galvanised steel exported by Dongbu Steel Co Ltd are not affected by the terms or circumstances of the sales to which they relate;
- pursuant to subsection 269TAB(1)(a), the export price for the galvanised steel exported by POSCO is the price paid or payable for the galvanised steel by the importer, other than any part of that price that represents a change in respect of the transport of the galvanised steel after exportation or in respect of any other matter arising after exportation;
- in respect of POSCO, for ten models of galvanised steel there were insufficient volumes of domestic sales, and that for these models normal value be calculated under subsection 269TAC(2)(c);
- the adjustments found at Table 10 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of galvanised steel exported by POSCO are not affected by the terms or circumstances of the sales to which they relate;
- in respect of Yieh Phui Enterprise Co Ltd, for 14 models of galvanised steel there were insufficient volumes of domestic sales, and that for these models normal value be calculated under subsection 269TAC(2)(c);
- pursuant to subsections 269TAC(8) and (9), the adjustments found at Table 11 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of galvanised steel exported by Yieh Phui Enterprise Co Ltd are not affected by the terms or circumstances of the sales to which they relate;

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- pursuant to subsection 269TAB(1)(a), the export price for the galvanised steel exported by Synn Industrial Co. Ltd is the price paid or payable for the galvanised steel by the importer, other than any part of that price that represents a change in respect of the transport of the galvanised steel after exportation or in respect of any other matter arising after exportation;
- in respect of Synn Industrial Co. Ltd, for four models of galvanised steel there were insufficient volumes of domestic sales, and that for these models normal value be calculated under subsection 269TAC(2)(c);
- pursuant to subsections 269TAC(8) and (9), the adjustments found at Table 12 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of galvanised steel exported by Synn Industrial Co. Ltd are not affected by the terms or circumstances of the sales to which they relate;
- pursuant to subsection 269TAB(1)(a), the export price for the galvanised steel exported by Chung Hung Steel Corporation is the price paid or payable for the galvanised steel by the importer, other than any part of that price that represents a change in respect of the transport of the galvanised steel after exportation or in respect of any other matter arising after exportation;
- pursuant to subsection 269TAC(8), the adjustments found at Table 13 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of galvanised steel exported by Chung Hung Steel Corporation are not affected by the terms or circumstances of the sales to which they relate;
- pursuant to subsection 269TAB(1)(c), the export price for the aluminium zinc coated steel exported by Yieh Phui (China) Technomaterial Co. Ltd be calculated having regard to all the circumstances of the exportation;
- pursuant to subsection 269TAC(9), the adjustments found at Table 14 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the aluminium zinc coated steel exported by Yieh Phui (China) Technomaterial Co. Ltd;
- pursuant to subsection 269TAB(1)(a), the export price for the aluminium zinc coated steel exported by Jiangyin Zongcheng Steel Co Ltd is the price paid or payable for the aluminium zinc coated steel by the importer, other than any part of that price that represents a change in respect of the transport of the aluminium zinc coated steel after exportation or in respect of any other matter arising after exportation;
- pursuant to subsection 269TAC(9), the adjustments found at Table 15 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the aluminium zinc coated steel exported by Jiangyin Zongcheng Steel Co Ltd;
- pursuant to subsection 269TAB(2B)(c), the export price for the aluminium zinc coated steel exported by Angang Steel Company Ltd is to be calculated having regard to the export price for like goods exported to Australia from China by other exporters from China;
- pursuant to subsection 269TAC(9), the adjustments found at Table 16 of REP 456 and 457 are necessary to ensure that the normal value is properly comparable with the export price of the aluminium zinc coated steel exported by Angang Steel Company Ltd;
- pursuant to subsections 269TAB(2A), (2B) and (2F), the nature and volume of the trade in aluminium zinc coated steel exported from Korea to Belgium is similar to the nature and volume of the trade between Korea and Australia such that third



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country sales are an appropriate method for determining the export price of aluminium zinc coated steel for Dongbu Steel Co Ltd;

- pursuant to subsection 269TAC(8), the adjustments found at Table 17 of REP 456 and 457 are necessary to ensure that the comparison of normal value and export price of aluminium zinc coated steel exported by Dongbu Steel Co Ltd are not affected by the terms or circumstances of the sales to which they relate;
- pursuant to section 269TACB, the dumping margins for all exporters from China, Korea and Taiwan in respect of zinc coated (galvanised steel) exported to Australia is the difference between the weighted average export prices of zinc coated (galvanised steel) over the whole of the review period and the weighted average of corresponding normal values over that period as set out in **Confidential Attachment 1**; and
- pursuant to section 269TACB, the dumping margins for all exporters from China and Korea in respect of aluminium zinc coated steel exported to Australia is the difference between the weighted average export prices of aluminium zinc coated steel over the whole of the review period and the weighted average of corresponding normal values over that period as set out in **Confidential Attachment 1**.

## 9 APPENDICES AND ATTACHMENTS

<b>Appendix A</b>	Market situation assessment
<b>Appendix B</b>	Countervailable subsidies assessment
<b>Confidential Attachment 1</b>	Dumping margin calculations
<b>Confidential Attachment 2</b>	NIP calculations
<b>Confidential Attachment 3</b>	Comparison of Platts HRC prices with HRC purchases of cooperating Chinese exporters
<b>Confidential Attachment 4</b>	Comparison of prices for galvanised steel and aluminium zinc coated steel

## APPENDIX A – MARKET SITUATION ASSESSMENT

### A1 Introduction

This appendix sets out the Commission's assessment of the applicant's claims that there was a situation in the Chinese aluminium zinc coated steel and galvanised steel markets during the review period, such that sales in these markets were not suitable for determining normal values under subsection 269TAC(1).

#### A1.1 Applicant's claims

BlueScope claims that, during the review period, a particular market situation in the Chinese aluminium zinc coated steel and galvanised steel markets made sales in those markets unsuitable for determining normal values under subsection 269TAC(1).

In support of this view, BlueScope cited the Commission's previous findings that domestic selling prices for HRC in China are artificially low and that, as a consequence, domestic selling prices for aluminium zinc coated steel and galvanised steel are also lower than they otherwise would be in the absence of GOC influence.<sup>63</sup>

### A2 Assessment framework and information relied upon

#### A2.1 Commission's framework for assessing market situation claims

Subsection 269TAC(2) provides for circumstances where the normal value of goods cannot be ascertained under subsection 269TAC(1) "because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1)".<sup>64</sup> If a market situation exists in a country, normal values may instead be constructed under subsection 269TAC(2)(c) or determined by reference to prices from a third country under subsection 269TAC(2)(d).

The Act does not prescribe what is required to reach a finding of market situation, however, it is clear that a market situation will arise when there is some factor or factors impacting the relevant market in the country of export generally with the effect that sales in that market are not suitable for use in determining normal value.

In considering whether sales are not suitable for use in determining a normal value under subsection 269TAC(1) because of the situation in the market of the country of export, the Commission may have regard to factors such as:

- whether the prices are artificially low; or
- whether there are other conditions in the market that render sales in that market not suitable for use in determining prices under subsection 269TAC(1).

<sup>63</sup> BlueScope's applications are document 001 on the EPR for cases 449 and 450.

<sup>64</sup> Section 269TAC(2)(a)(ii) is Australia's implementation of Article 2.2 of the World Trade Organization (WTO) *Anti-Dumping Agreement*.

Government influence on prices or input costs could be one cause of artificially low pricing. Such government influence could come from any level of government.

In assessing whether a market situation exists due to government influence, the Commission will assess whether government involvement in the domestic market has materially distorted market conditions. If market conditions have been materially distorted, then domestic prices may be artificially low or not substantially the same as they would be in a competitive market.

Prices may also be artificially low or lower than they would otherwise be due to government influence on the costs of inputs. The Commission looks at the effect of any such influence on market conditions and the extent to which domestic prices can no longer be said to prevail in a normal competitive market. Government influence on costs will disqualify the associated sales if those costs are shown to affect domestic prices.

The Manual provides further guidance on the circumstances in which the Commission will find that a market situation exists.<sup>65</sup>

## **A2.2 Evidentiary threshold**

When relevant and reasonably reliable prima facie evidence supporting the proposition that there is a market situation is set out in the application, and an investigation is initiated, the Commission will:

- notify relevant governments and exporters of the claims and of the evidence provided and further information will be sought from such governments and exporters; and
- if the relevant government or exporters fail to respond, or do not provide probative evidence in response, all available evidence is weighed up, including prima facie evidence contained in the application.<sup>66</sup>

## **A2.3 Information relied upon to undertake the Commission's assessment**

In undertaking this assessment, the Commission considered the following:

- BlueScope's application for a continuation of the dumping duty notice and countervailing duty notice;
- previous market situation assessments undertaken by the Commission;
- responses to the exporter questionnaire by selected exporters; and
- desktop research, including information obtained from departmental resources and third party information providers.

The Commission did not receive a response to the government questionnaire from the GOC for these reviews. This impeded the Commission's ability to undertake its assessment.

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<sup>65</sup> The Manual, p36.

<sup>66</sup> The Manual, p37.

## A2.4 Commission's approach

In line with its legislative requirements, the Commission's market situation assessments are undertaken at the level of the goods being investigated.

The main raw material identified for galvanised steel and aluminium zinc coated steel is HRC. This HRC is further processed to convert it to cold rolled coil (CRC). Galvanised steel and aluminium zinc coated steel is manufactured using either HRC or CRC as the base steel. HRC or CRC account for approximately 80 per cent of the weighted average cost to make for aluminium zinc coated steel and galvanised steel products, and therefore the Commission considers that distortions in the HRC market have a substantial impact on the prices paid for these goods.

Accordingly, in undertaking this assessment the Commission has also considered conditions within the Chinese HRC market. The Commission has not undertaken an assessment of conditions within the Chinese markets for the raw materials used to produce HRC (being iron ore, coking coal and coke), as any distortions within these markets would contribute to and be reflected in conditions within the Chinese HRC market.

The Commission has also given consideration to conditions within the broader Chinese steel industry. This approach was adopted because of the lack of available information concerning certain aspects of the Chinese aluminium zinc coated steel, galvanised steel and HRC markets, which was, in part, due to the GOC's decision not to provide the Commission with a response to the government questionnaire. Noting that HRC was the most exported steel product worldwide, accounting for more than 18 per cent of all global steel exports between 2011 and 2016 and is a key input into the production of a number of different steel products, the Commission considers that conditions within the broader Chinese steel industry are likely to be representative of conditions affecting the HRC market.<sup>67</sup>

In this assessment, "GOC" refers to all levels of government in China, unless otherwise specified. Similarly, the Commission has referred to Chinese state owned enterprises and state invested enterprises collectively as SOEs. The Commission has adopted this approach as it considers the GOC has the ability to directly influence decision making in a similar fashion within these two types of entities.

## A3 Context

The Chinese steel industry is the largest in the world, accounting for approximately 49 per cent of the total global crude steelmaking capacity between 2013 and 2016, with actual volumes remaining relatively stable throughout this period.<sup>68</sup>

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<sup>67</sup> [World Steel](#) in Figures 2017, p.25

<sup>68</sup> The Organisation for Economic Co-operation and Development (OECD), [Recent Developments in Steelmaking Capacity](#).

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In the three years to 2017, global production has increased whilst capacity has decreased, resulting in improvements to capacity utilisation overall (as per Figures 1 and 2).

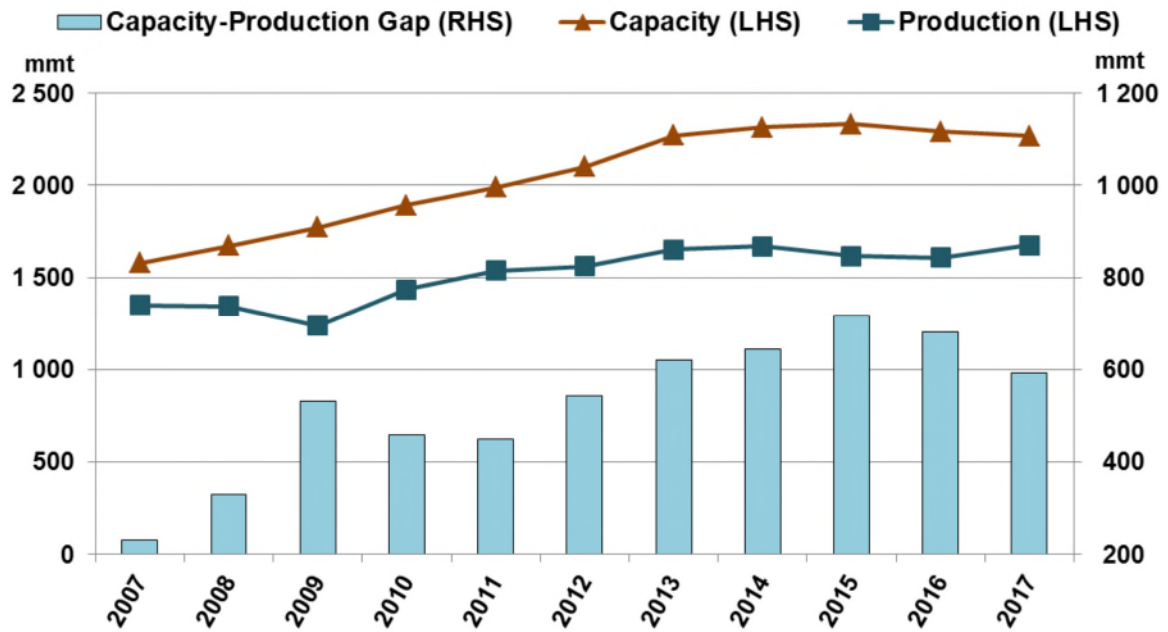


Figure 1: Global crude steelmaking capacity and crude steel production

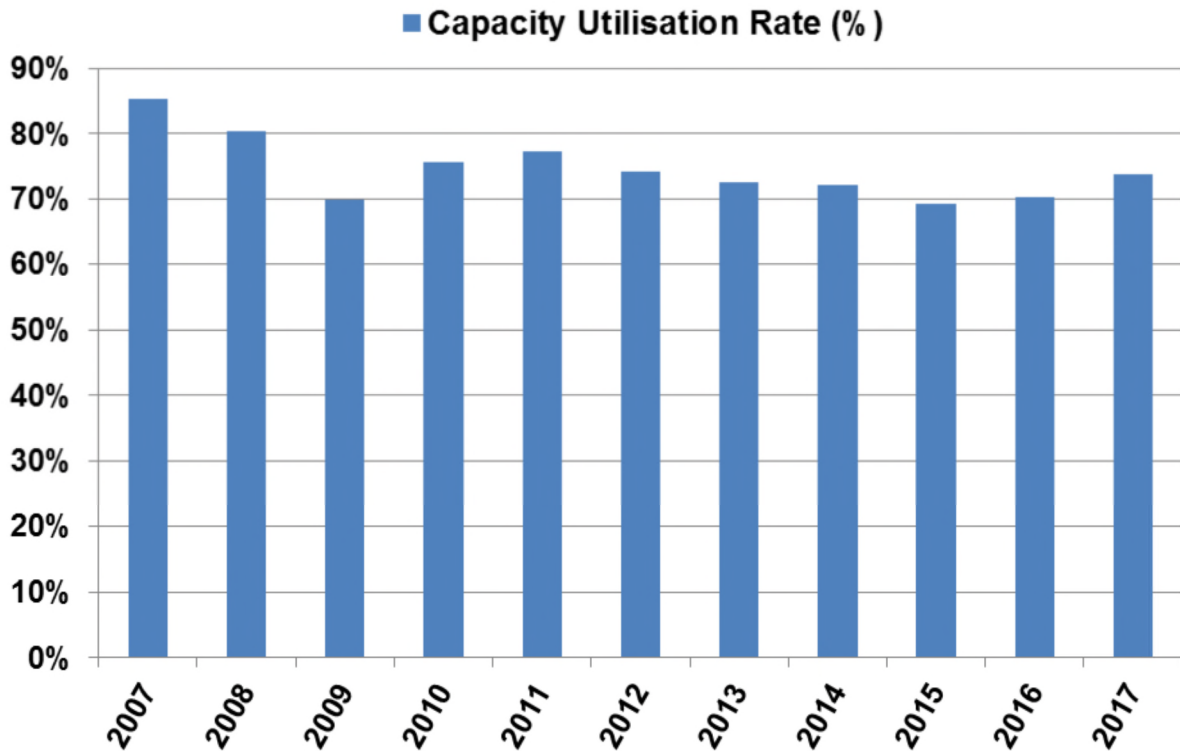


Figure 2: Global crude steelmaking capacity utilisation

### A3.1 Previous Market Situation Findings

A number of past cases have made market situation findings concerning steel products in China. The following cases are particularly relevant, as the products examined utilise HRC as the chief raw material input:

- Case No. 116 (2006) Hollow Structural Sections
- Case No. 144 (2010) Hollow Structural Sections
- Case No. 177 (2012) Hollow Structural Sections
- Case No. 190 (2013) Galvanised and Aluminium Zinc Coated Steel
- Case No. 203 (2013) Hollow Structural Sections
- Case No. 379 (2017) Hollow Structural Sections

## A4 GOC influence in Chinese steel markets

The Commission considers the GOC's involvement within and influence over the steel industry to be a primary cause of the prevailing structural imbalances within both the broader steel industry and the HRC market. This involvement includes the issuing of planning guidelines and directives along with provisions of direct and indirect financial support.<sup>69, 70</sup> These are discussed in further detail below.

### A4.1 Role and operation of SOEs

Between 2010 and 2015, SOEs accounted for 44 per cent of total Chinese steel production,<sup>71</sup> however this may have been as high as 60 per cent.<sup>72</sup>

The World Bank has found that “state enterprises have close connections with the Chinese government. SOEs are more likely to enjoy preferential access to bank finance and other important inputs, privileged access to business opportunities, and even protection against competition.”<sup>73</sup>

While the Commission does not consider that the presence of these entities alone causes markets to be distorted, it does consider that the presence of these entities is likely to result in the GOC's plans and directives being adhered to. The Commission also considers that the support provided to these entities by the GOC has enabled many of them to be operated on non-commercial terms for extended periods, significantly impacting supply and pricing conditions within the domestic Chinese market.<sup>74</sup>

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<sup>69</sup> Support measures include stimulus programs, land and energy subsidies and soft lending policies.

<sup>70</sup> Duke Centre on Globalisation, Governance & Competitiveness (Duke Centre), 2016. *Overcapacity in Steel: China's role in a global problem*, September 2016, p24.

<sup>71</sup> Liu. H & Song. L, 2016, p349.

<sup>72</sup> Platts Steel Business Briefing (Platts), *Global Market Outlook*, January 2016, p14.

<sup>73</sup> World Bank, *China 2030: Building a Modern, Harmonious, and Creative Society*, Report No. 96299 (March 2013), p25.

<sup>74</sup> Anti-Dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016* (Commissioner's Steel Report), p47.



Examples of these support mechanisms include government subsidies, support from associated enterprises (through direct subsidy, interest-free loans or provision of loan guarantees) and loans from state-owned banks.<sup>75</sup>

The Commission considers these mechanisms have supported the rapid expansion of steel production capacity in the SOE segment, in spite of repeated attempts by the Central Government to reduce the scale of steel production. It is also the Commission's view that these support mechanisms have created rigidities in the way recipient firms respond to price and profit signals and hence have significantly contributed to the excessive investment in capacity, excess steel production and distorted prices.

The significance of SOEs to the broader Chinese economy, including the steel industry, is also reflected in the State Council of China's recent *Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation* (the *Guidance*).<sup>76</sup> In introducing the *Guidance*, the State Council notes the important role of SOEs in actively promoting structural adjustment, optimisation of structural layout and quality improvement within the Chinese economy. The *Guidance* also indicates that the State Council will deepen reform of SOE policies and arrangements to optimise state owned capacity allocation, promote transformation and upgrading. Details concerning the promotion of central enterprises restructuring and reorganisation include the 'safeguard measures' theme, the strengthening of the organisation and leadership of SOEs, strengthening of industry guidance, increased policy support and improved support measures more generally.

#### **A4.2 Initiatives influencing Chinese steel markets**

Specific initiatives announced in recent years to address imbalances in the Chinese steel markets include the Central Government's supply-side reform initiatives, *Advice on Addressing Excessive Capacity and Relieving Hardship for the Steel industry* (GOC Advice) and *The Opinions of the State Council on Reducing Overcapacity in the Iron and Steel Industry* (GOC Opinions).

The GOC Advice proposes that SOE capacity be reduced by 100 to 150 million tonnes by 2020, via the banning of new steel projects and elimination of what are colloquially known as "zombie mills".<sup>77</sup> The Central Government has also pledged a RMB 100 billion fund for employee compensation, social security payments and plant closure incentives in the coal and steel sectors.<sup>78</sup>

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<sup>75</sup> Liu. H & Song. L, 2016, p348.

<sup>76</sup> State Council issues guideline on reorganization of SOEs, [http://english.gov.cn/policies/latest\\_releases/2016/07/26/content\\_281475402145108.htm](http://english.gov.cn/policies/latest_releases/2016/07/26/content_281475402145108.htm).

<sup>77</sup> Liu. H & Song. L, 2016, pp338-339. AME Group, Steel 2016: June Quarter, Strategic Market Study. 2016, Q2. p9. These mills would be shut down under normal competitive market conditions, due to either poor profitability or insolvency.

<sup>78</sup> Duke Centre, op cit, p38.

The *GOC Opinions* strictly forbids the registration of new production capacity in any form and demands that any production that does not meet environmental, energy consumption, quality, safety or technical standards be taken offline.<sup>79</sup>

The Commission recognises the GOC's recent attempts to restructure and reorganise the industry to manage excess capacity, oversupply and environmental concerns. Examples of these capacity management measures announced include tightening bank lending to smaller mills, industry consolidation through mergers and acquisitions and use of stricter environmental requirements to forcibly shut down capacity.<sup>80</sup> While noting these efforts are targeted at correcting current imbalances and resulting distortions, the Commission considers them to be evidence of the extent of the GOC's involvement within and influence over the broader steel industry during the review period.

The key concern with zombie mills is that they reflect capacity that is idle rather than capacity that has been removed from the market permanently. This means that, while the temporary removal of this capacity has helped support competitive market conditions, those same plants are likely to return to production when higher steel prices prevail, leading to further distortions.<sup>81</sup> The extent of this issue is reflected in the concern that a significant amount of the capacity removed in 2016 was already idle, and that the real capacity permanently removed is estimated to be in the range of 12 million to 20 million tonnes per year, compared to the reported 65 million tonnes.<sup>82</sup> As at April 2017, it was reported that China had an estimated 650 million tonnes of overcapacity, and favourable market conditions would likely extend the lifespan of zombie companies, delaying the GOC's steel industry reforms.<sup>83</sup>

The effectiveness of the GOC's attempts to address overcapacity through mergers and acquisitions have been constrained by its desire to promote:

- the replacement of older mills with new larger and more efficient mills; and
- closing smaller mills to offset the commissioning of new larger mills.

While this is likely to improve the industry's structure over the longer term, its impact to date has been to increase production and exacerbate the existing structural imbalances. For example, the announcement of the creation of the BAOWU Steel Group indicated that it would decommission 2.5 million tonnes of capacity to address overcapacity, however, it also commissioned nine million tonnes of new capacity at its Zhanjiang facility.<sup>84</sup>

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<sup>79</sup> KPMG, 2016. *The 13th 5 Year Plan: China's Transformation and Integration with the World Economy*, p29. Sourced from *GOC Opinions*, State Council, 4 February 2016.

<sup>80</sup> Platts, 2016. Global Market Outlook, Steel Business Briefing. January 2016, p14.

<sup>81</sup> Platts, 2017. Global Market Outlook, Steel Business Briefing. January 2017, p10.

<sup>82</sup> Ibid.

<sup>83</sup> DBS Asian Insights, China's steel sector supply reform, April 2017, p5

<sup>84</sup> Platts, 2016. Global Market Outlook, Steel Business Briefing. June 2016, p11.

In citing the GOC's ongoing interventions within the domestic steel industry, it is the Commission's view that these attempts to address existing structural imbalances have had limited success to date. Constraints in the effectiveness of these initiatives not only relate to the extent of the existing imbalances in the industry, but also difficulties in coordinating activities between central, provincial and local levels of government. The resistance of provincial and local governments to closing down mills relates to their role as major employers, sources of tax revenue and providers of social services within their respective regions.<sup>85</sup> Specific examples of these issues include the reliance of their tax systems on business revenue (including production based VAT) and gross domestic product (GDP) oriented performance measures which encourage over-investment.<sup>86</sup>

#### **A4.3 Industry planning guidelines and directives**

China adopted its 13th *Five-Year Plan for National Economic and Social Development* (the Plan) on 15 March 2016. The Plan outlines China's goals, principles and targets for infrastructure, the environment, financial services, health and social and economic development for the five years to 2020. The Plan has a strong emphasis on supply-side structural reform that promotes the upgrade of industrial structures, strengthening market oriented reforms, reducing industrial capacity, inventory, financial leverage and costs, and correcting structural shortcomings.<sup>87</sup>

To support the Chinese steel industry's development in line with the Plan, the *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)* was developed. It aims to raise the average annual growth rate of industrial added value from 5.4 per cent in 2015 to 6 per cent by 2020, raise the capacity utilisation rate from 70 per cent in 2015 to 80 per cent by 2020, and raise the industrial concentration in top ten producers from 34.2 per cent in 2015 to 60 per cent by 2020.<sup>88</sup> Examples of industry's response to these directives is reflected in the restructuring of Baosteel Group and Wuhan Iron and Steel Group, two large centrally controlled SOEs whose merger created the China Baowu Steel Group Corporation (BAOWU Steel Group). In 2016, BAOWU Steel Group was the largest producer of crude steel in China and the second largest worldwide.<sup>89</sup>

There have been a number of GOC policies, plans and initiatives relevant to the China steel industry published over many years, including the *National Steel Industry Development Policy* (2005), the *Blueprint for the Adjustment and Revitalisation of the Steel Industry* (2009) and the *2011-2015 Development Plan for the Steel Industry* (2011).<sup>90</sup> The Commission's view is that these have been largely superseded by other policies and plans.

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<sup>85</sup> Platts, 2016. Global Market Outlook, Steel Business Briefing. April 2016 p16.

<sup>86</sup> Duke Centre, op cit, p29.

<sup>87</sup> KPMG, op cit, p3.

<sup>88</sup> King & Spalding, China Issues 13th Five Year Plan for the Steel Industry, Yan, Linga, November 22, 2016.

<sup>89</sup> [Statista, Steel producers worldwide based on production volume 2016, June 2017.](#)

<sup>90</sup> In noting that some of the listed documents are now dated, the Commission considers that this further demonstrates long term involvement of the GOC within the Chinese steel industry.

Some of the key themes and objectives of major GOC planning guidance and directives used to influence the structure of the Chinese steel industry include:

**1. Steel Industry Adjustment Policy (2015 Revision)**

- Upgrading product mix.
- Rationalising steel production capacity.
- Adjustments to improving organisational structures.
- Energy conservation, emission reductions, environmental protection.
- Production Distribution.
- Supervision and administration.
- Guiding market exit.
- Methods of, orientation and oversight of mergers and reorganisations.
- Consolidate number of steel companies.
- Lift capacity utilisation rates to 80 per cent by 2017.

**2. Circular of the State Council on Accelerating the Restructuring of the Sectors with Production Capacity Redundancy**

- Promoting of economic restructuring to prevent inefficient expansion of industries that have resulted from blind expansion.
- Intensify the implementation of industrial policies related to the iron and steel sector to strengthen the examination thereof and to improve them in practice

**3. State Council Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation**

- SOEs restructuring and reorganisation should serve national strategies, respect market rules, combine with reforms, follow laws and regulations, and stick to a coordinated approach.
- State-owned capital should support SOEs, whose core businesses are involved in national and economic security and major national programmes, to strengthen their operations, and allow non state-owned capital to play a role, while ensuring the state-owned capital's leading position.
- Related departments and industries requested to steadily promote restructuring of enterprises in fields such as equipment manufacturing, construction engineering, electric power, steel and iron, non-ferrous metal, shipping, construction materials, tourism and aviation services, to efficiently cut excessive overcapacity and encourage restructuring of SOEs.

**4. The Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)**

- Removal of 100 to 150 million tonnes of capacity between 2016 and 2020.
- Raising of capacity utilisation rates to 80 per cent by 2020.
- Further industry consolidation leading to 10 largest producers accounting for 60 per cent of production by 2020.

In addition, broader industrial restructuring and reorganising directives of the GOC have an impact on the China steel industry.<sup>91</sup>

In assessing the relevance of these planning guidelines and directives, the Commission notes the importance of the GOC's national five year plans which provide the overarching framework for the industry and local government plans. Regarding industry specific planning guidelines and directives, the Commission notes, but does not agree with, the GOC's previously expressed view that they are for guidance and are not enforceable.<sup>92</sup> Mechanisms through which the Commission considers the GOC is able to enforce these guidelines and directives include the presence and role of SOEs within the broader steel industry, the role of the National Development and Reform Commission (NDRC) and explicit enforcement mechanisms. The GOC, where it is also the majority owner of an SOE, can exert its influence through the appointment of board directors and chief executives.<sup>93</sup>

SOEs' significant share of total Chinese steel production, and propensity to follow government guidance and directives, ensures that the GOC is able to influence broader trends in industry capacity and steel production. Similarly, the NDRC, through its dual role of developing planning guidelines and directives and approving large scale investment projects, has the capacity to ensure that the broader objectives of the central government are implemented. Explicit enforcement mechanisms detailed within directives, such as the State Council notice on *Further Strengthening the Elimination of Backward Production Capabilities and Guidelines*, includes a range of sanctions, such as revocation of pollutant discharge permits, restrictions on the provision of new credit support, restrictions on the approval of new investment projects, and restrictions on the issuing of new and cancelling of existing production licenses.<sup>94</sup>

A further example of the GOC's use of planning guidelines and policy directives to achieve its objective can be seen in the GOC's *Standard Conditions of Production and Operation of the Iron and Steel Industry*. It is the Commission's understanding that this document sets out the minimum requirements for production and operation in the Chinese steel industry. Firms are incentivised to comply with the standard conditions, as doing so provides the basis for policy support. In contrast, firms that do not conform are required to reform, and if they still fail to conform, must gradually exit the market.<sup>95</sup>

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<sup>91</sup> For example, *Notice of Several Opinions on Curbing Overcapacities and Redundant Constructions in Certain Industries and Guiding the Healthy Development of Industries* (2009), *Guiding Opinions on Pushing Forward Enterprise M&A and Reorganisation in Key Industries* (2013), *Guiding Opinions on Resolving Serious Excess Capacity Contradictions* (2013) and *Directory Catalogue on Readjustment of Industrial Structure* (2013 Amendment).

<sup>92</sup> *International Trade Remedies Branch Report No. 177* ([REP 177](#)), p123 refers.

<sup>93</sup> Zhang, Dong and Freestone, Owen, China's unfinished state-owned enterprise reforms, <https://treasury.gov.au/publication/economic-roundup-issue-2-2013-2/economic-roundup-issue-2-2013/chinas-unfinished-state-owned-enterprise-reforms/>.

<sup>94</sup> REP 177, p128 refers.

<sup>95</sup> Announcement on the *Standard Conditions of Production and Operation of the Iron and Steel Industry*. Included in the context of REP 177 on the [EPR for that case](#).

The Commission therefore considers that the GOC's historic and continued involvement within the Chinese steel industry, through its policies, planning guidelines, plans and directives, materially contributed to the steel industry's overcapacity, oversupply and distorted structure during the review period. It is the Commission's view that the prices of HRC (and therefore galvanised steel and aluminium zinc coated steel) would be substantially different in a market not characterised by GOC influence.

#### **A4.4 Direct and indirect financial support**

Examples of specific support programs provided to Chinese steel producers by the GOC, as identified by the American Iron and Steel Institute and the Steel Manufacturers Association, include preferential loans and directed credit, equity infusions and/or debt-to-equity swaps, access to land at little or no cost, government mandated mergers (permitting acquisition at little or no cost) and direct cash grants for specific steel construction projects.<sup>96</sup> Similar programs have been previously identified by the Commission in respect of the Chinese steel industry. It is the Commission's view that these programs have directly contributed to conditions within the Chinese steel industry during the review period by providing direct financial support to recipient steel producers.

However, the Commission notes that, in respect of these reviews, countervailable subsidies have only been received by exporters referred to as "uncooperative exporters" from China (Chapter 5 refers). These subsidies and tax concessions reduce the operating costs of Chinese steel enterprises, confer a competitive advantage through the ability to offer steel products at lower prices, and increase the profitability of steel production.<sup>97</sup> It supports unprofitable producers, delaying or preventing their timely exit from the industry.

#### **A4.5 Taxation arrangements**

The Commission has previously identified evidence of export taxes and export quotas on a number of key inputs in the steel making process including coking coal, coke, iron ore and scrap steel in *Anti-Dumping Commission Report No. 198*.<sup>98</sup> The Commission found that these measures would keep input prices artificially low and create significant incentives for exporters to redirect these products into the domestic market, increasing domestic supply and reducing domestic prices to a level below what would have prevailed under normal competitive market conditions

The GOC has traditionally operated, amongst other taxation arrangements, a VAT and a VAT rebate system for certain exports. Under the Chinese VAT system, a 17 per cent tax is paid on consumption of goods, including the inputs used in the production of steel. For goods produced and sold within China, the tax is ultimately paid by the final consumers of the particular good. Because it is difficult for exporters to pass these taxes on, some steel exporters have traditionally been compensated for VAT paid during the production process through VAT rebates.

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<sup>96</sup> Duke Centre, op cit, p25.

<sup>97</sup> Commissioner's Steel Report, p45.

<sup>98</sup> Concerning hot rolled plate steel exported from China, the Republic of Indonesia, Japan, the Republic of Korea and Taiwan; pp. 41-43.

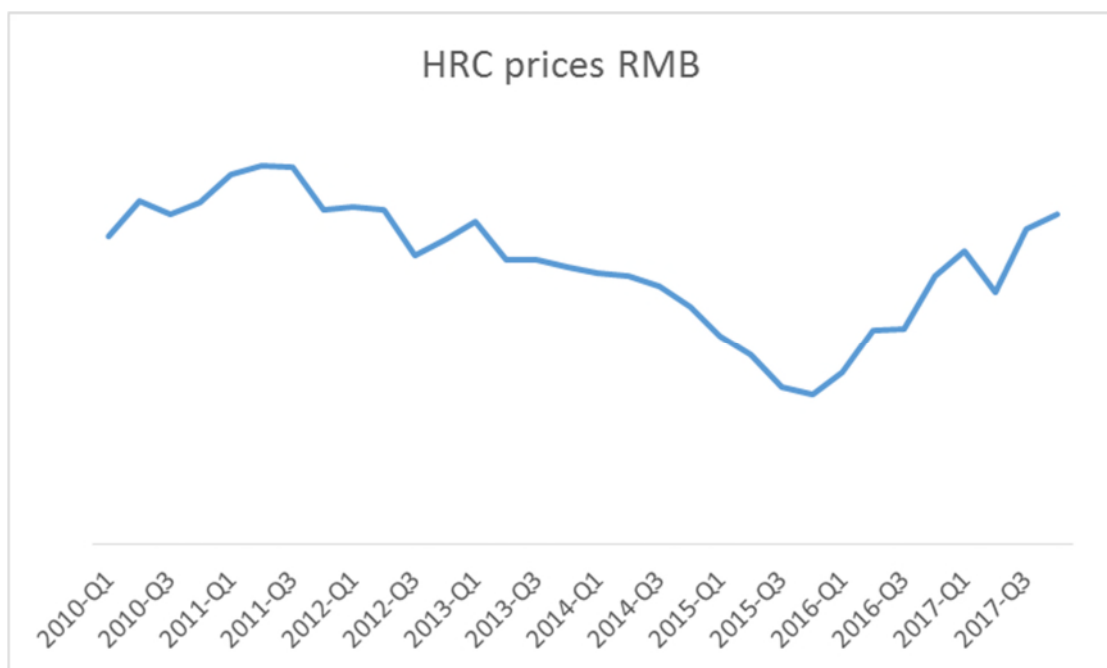


Through altering the VAT rebates and taxes applied to steel exports, the GOC is able to alter the relative profitability of different types of steel exports and of exports compared to domestic sales. For example, by either reducing VAT rebates or increasing export taxes on steel exports, the GOC is able to reduce the relative profitability of exports to domestic sales and hence provide significant incentives for traditional exporters to redirect their product into the domestic Chinese market. By using these mechanisms to alter the relative supply of particular steel products in the domestic market, the GOC is also able to influence the domestic price for those products.

During the review period, the applicable VAT rebate rate for aluminium zinc coated steel and galvanised steel was 13 per cent, resulting in a 4 per cent applied VAT rate. While this differential would have created an incentive to export aluminium zinc coated steel and galvanised steel, export taxes may apply to these goods. However, in the absence of a response to the government questionnaire from the GOC, the Commission is unable to further comment on this issue.

## A5 Conditions in the China HRC market

Between 2010 and 2017, Chinese production of HRC and related products increased by 37 per cent.<sup>99</sup> Over the same period, Chinese HRC prices showed great volatility, decreasing by almost 51 per cent between 2010 and 2015 before increasing by approximately 116 per cent by the end of the review period.<sup>100</sup>



**Figure 3: HRC prices, Shanghai EXW, exclusive of VAT**

*Source: Platts*

<sup>99</sup> Beijing Antaike Information Co., Ltd, [www.antaike.com](http://www.antaike.com).

<sup>100</sup> Based on Chinese HRC prices (excluding VAT) sourced from Platts.



During the review period Chinese HRC prices rose by 18 per cent. The Commission compared the verified Chinese domestic HRC purchase data for cooperating exporters with the HRC prices sourced from Platts. It found that the data from Chinese exporters cooperating with these reviews was comparable, within a 1 per cent variance over the review period. The analysis can be seen at **Confidential Attachment 3**.

The Commission has undertaken a comparative analysis of the purchase prices of domestically produced HRC in China with purchase prices of domestically produced HRC in Korea and Taiwan. The Commission considers Korean and Taiwanese exporters of galvanised steel and aluminium zinc coated steel to be operating in competitive markets. The data was sourced from cooperating exporters in these reviews.

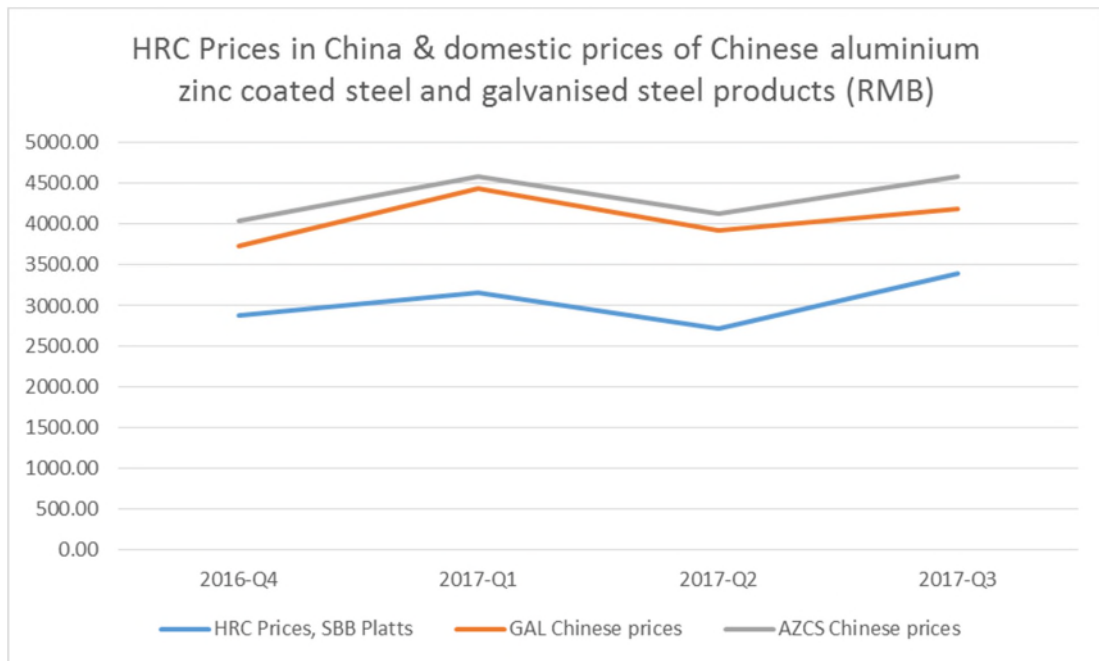
The Commission found that HRC domestic purchase prices in China were, on average, 14 per cent lower than HRC domestic purchase prices in Korea and Taiwan. The analysis can be seen at **Confidential Attachment 3**.

#### **A5.1 Analysis of galvanised steel and aluminium zinc coated steel prices**

To analyse the influence that HRC prices have on the aluminium zinc coated steel and galvanised steel markets, the Commission completed a comparative analysis of the price of domestically sold aluminium zinc coated steel and galvanised steel in China with those sold domestically in Korea and Taiwan. The data was sourced from cooperating exporters in these Reviews.

The analysis found that for the majority of the review period, Chinese domestic selling prices of aluminium zinc coated steel remained approximately 13 per cent lower than Korean domestic selling prices at EXW. Chinese domestic selling prices of galvanised steel were at least 17 per cent lower than domestic selling prices in Korea at EXW and 5 per cent below the domestic selling prices in Taiwan at EXW. The analysis can be seen at **Confidential Attachment 4**.

The Commission observes the correlation between HRC costs and domestic selling prices of aluminium zinc coated steel and galvanised steel (Figure 4 refers) and is satisfied that the lower HRC cost in China over the review period has resulted in domestic selling prices of aluminium zinc coated steel and galvanised steel in China being lower than Korean aluminium zinc coated steel and Korean and Taiwanese galvanised steel products. The analysis can be seen at **Confidential Attachment 4**.



**Figure 4: Comparison of HRC prices with the goods, Shanghai, exclusive of VAT**  
*Source: Platts and domestic selling prices from cooperative exporters in RMB at EXW*

## A6 Assessment of particular market situation

The Commission has determined that the GOC has exerted influence on the Chinese steel industry, which has substantially distorted competitive market conditions in the steel industry in China. The GOC was able to exert this influence through its directives and oversight, subsidy programs, taxation arrangements and the significant number of SOEs.

The Commission's assessment and analysis of the available information indicates that the GOC materially influenced conditions within the Chinese HRC markets during the review period and because of that influence, the domestic price for Chinese aluminium zinc coated steel and galvanised steel was substantially different to those in competitive market conditions.

The Commission considers that GOC influences in the Chinese steel industry have created a 'market situation' in the domestic aluminium zinc coated steel and galvanised steel markets, such that sales of aluminium zinc coated steel and galvanised steel in China are not suitable for determining normal value under subsection 269TAC(1).

## APPENDIX B – ASSESSMENT OF COUNTERAVAILABLE SUBSIDIES

### B1 Finding

After assessing all relevant information available, the Commission has found that financial benefits<sup>101</sup> were conferred to galvanised steel and aluminium zinc coated steel producers in respect of the goods via countervailable subsidy programs.

### B2 Relevant legislation

Subsection 269T(1) of the Act defines a ‘subsidy’ as follows:

**subsidy**, in respect of goods exported to Australia, means:

- (a) a financial contribution:
  - (i) by a government of the country of export or country of origin of the goods; or
  - (ii) by a public body of that country or a public body of which that government is a member; or
  - (iii) by a private body entrusted or directed by that government or public body to carry out a governmental function;
 that involves:
  - (iv) a direct transfer of funds from that government or body; or
  - (v) the acceptance of liabilities, whether actual or potential, by that government or body; or
  - (vi) the forgoing, or non-collection, of revenue (other than an allowable exemption or remission) due to that government or body; or
  - (vii) the provision by that government or body of goods or services otherwise than in the course of providing normal infrastructure; or
  - (viii) the purchase by that government or body of goods or services; or
- (b) any form of income or price support as referred to in Article XVI of the General Agreement on Tariffs and Trade 1994 that is received from such a government or body; if that financial contribution or income or price support confers a benefit (whether directly or indirectly) in relation to the goods exported to Australia.

Section 269TAAC defines a countervailable subsidy as follows:

- (1) For the purposes of this Part, a subsidy is a **countervailable subsidy** if it is specific.
- (2) Without limiting the generality of the circumstances in which a subsidy is specific, a subsidy is specific:
  - (a) if, subject to subsection (3), access to the subsidy is explicitly limited to particular enterprises; or
  - (b) if, subject to subsection (3), access is limited to particular enterprises carrying on business within a designated geographical region that is within the jurisdiction of the subsidising authority; or
  - (c) if the subsidy is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance; or

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<sup>101</sup> Subsections 269TACC(2)(a) and (b) refer.

- (d) if the subsidy is contingent, whether solely or as one of several conditions, on the use of domestically produced or manufactured goods in preference to imported goods.
- (3) Subject to subsection (4), a subsidy is not specific if:
  - (a) eligibility for, and the amount of, the subsidy are established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification; and
  - (b) eligibility for the subsidy is automatic; and
  - (c) those criteria or conditions are neutral, do not favour particular enterprises over others, are economic in nature and are horizontal in application; and
  - (d) those criteria or conditions are strictly adhered to in the administration of the subsidy.
- (4) The Minister may, having regard to:
  - (a) the fact that the subsidy program benefits a limited number of particular enterprises; or
  - (b) the fact that the subsidy program predominantly benefits particular enterprises; or
  - (c) the fact that particular enterprises have access to disproportionately large amounts of the subsidy; or
  - (d) the manner in which a discretion to grant access to the subsidy has been exercised;determine that the subsidy is specific.
- (5) In making a determination under subsection (4), the Minister must take account of:
  - (a) the extent of diversification of economic activities within the jurisdiction of the subsidising authority; and
  - (b) the length of time during which the subsidy program has been in operation.

Section 269TACC directs how the Assistant Minister determines whether a financial contribution or income or price support confers a benefit, and is therefore a countervailable subsidy. Section 269TACD provides how the amount of this benefit is determined.

### **B3 Information considered by the Commission**

In assessing the alleged subsidy programs, the Commission has considered information provided in the REQs and verification activities. This includes information provided by exporters regarding whether these exporters were in receipt of any previously investigated or new countervailable subsidies and, if so, the value of any benefits received. The Commission did not receive a response to the government questionnaire from the GOC for these reviews.

The Commission has also considered information contained in a submission made by Austube Mills Pty Ltd on 30 March 2017 regarding another investigation (concerning hollow structural sections of steel)<sup>102</sup> and previous findings of the Commission.

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<sup>102</sup> Document 044 on EPR 379 refers.

## B4 Subsidy programs considered

The Commission examined 36 subsidy programs identified in the original investigation as part of this inquiry and found 34 of these to be countervailable.

### B4.1 Existing programs

The Commission provided the GOC with a government questionnaire to gather evidence for the purposes of determining whether the existing programs are still countervailable in relation to galvanised steel and aluminium zinc coated steel exported to Australia from China. The GOC did not provide a response to the government questionnaire.

In accordance with subsection 269TAACA(1) of the Act, because the GOC has not given the Commission information considered to be relevant to the inquiry, in determining whether a countervailable subsidy has been received in respect of the goods, the Commission has acted on the basis of all the facts available to the Commission and made such assumptions as considered reasonable. The Commission's consideration of the facts available in relation to the existing programs is outlined in the table below.

No.	Program name	Type	Evidence that program is still countervailable	Still countervailable
1	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 1). <sup>103</sup> -Canada Semi-annual report to WTO in G/SCM/N/321/CAN (2017). <sup>104</sup>	Yes
2	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 10).	Yes

<sup>103</sup> *Anti-Dumping Commission Report No. 379* refers.

<sup>104</sup> Canada [semi-annual report](#) to WTO.

## PUBLIC RECORD

			-Notified by the GOC to the WTO in G/SCM/N/220/CHN. <sup>105</sup> -Canada Semi-annual report to WTO in G/SCM/N/321/CAN (2017)	
3	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 11) -Notified by the GOC to the WTO in G/SCM/N/220/CHN -Canada Semi-annual report to WTO in G/SCM/N/321/CAN (2017)	Yes
4	Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 12) -Notified by the GOC to the WTO in G/SCM/N/220/CHN	Yes
5	Preferential Tax Policies in the Western Regions	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 13)	Yes
6	Land Use Tax Deduction	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 29)	Yes
7	Preferential Tax Policies for High and New Technology Enterprises	Tax	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 35) -Notified by the GOC to the WTO in G/SCM/N/220/CHN	Yes
8	Tariff and value-added tax (VAT) Exemptions on Imported Materials and Equipments	Tariff and VAT	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 14)	Yes

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<sup>105</sup> WTO document number [G/SCM/N/220/CHN](#).

## PUBLIC RECORD

			-Notified by the GOC to the WTO in G/SCM/N/220/CHN	
9	One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China'	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 2)	Yes
10	Matching Funds for International Market Development for Small and Medium Enterprises	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 5) -Notified by the GOC to the WTO in G/SCM/N/220/CHN	Yes
11	Superstar Enterprise Grant	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 6)	yes
12	Research & Development (R&D) Assistance Grant	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 7)	yes
13	Patent Award of Guangdong Province	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 8)	Yes
14	Innovative Experimental Enterprise Grant	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 15)	Yes
15	Special Support Fund for Non State-Owned Enterprises	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 16)	Yes
16	Venture Investment Fund of Hi-Tech Industry	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 17)	Yes
17	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 18)	Yes
18	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 19)	Yes

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**PUBLIC RECORD**

19	Water Conservancy Fund Deduction	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 21)	Yes
20	Wuxing District Freight Assistance	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 22)	Yes
21	Huzhou City Public Listing Grant	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 23)	Yes
22	Huzhou City Quality Award	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 27)	Yes
23	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 28)	Yes
24	Wuxing District Public List Grant	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 30)	Yes
25	Anti-dumping Respondent Assistance	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 31)	Yes
26	Technology Project Assistance	Grant	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 32)	Yes
27	Hot rolled steel provided by government at less than fair market value	Remuneration	Countervailed by the Commission in 2017 in relation to hollow structural sections (Program 20)	Yes
28	Coking coal provided by government at less than adequate remuneration	Remuneration		No
29	Coke provided by government at less than adequate remuneration	Remuneration		No

## PUBLIC RECORD

30	Capital injections	Equity	Countervailed by the Commission in 2016 in relation to grinding balls (Program 19) <sup>106</sup>	Yes
31	Environmental protection grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 20)	Yes
32	High and New Technology Enterprise Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 21)	Yes
33	Independent Innovation and High-Tech Industrialisation Program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 22)	Yes
34	VAT refund on domestic sales by local tax authority	Tariff and VAT	Appears to be countervailable by the Commission for case 379 (hollow structural sections). With the absence of further information from GOC, countervailable under these inquiries.	Yes
35	Environmental Prize	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 23)	Yes
36	Jinzhou District Research and Development Assistance Program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 43)	Yes

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<sup>106</sup> *Anti-Dumping Commission Report No. 316* refers.