



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping
Commission

CUSTOMS ACT 1901 - PART XVB

STATEMENT OF ESSENTIAL FACTS

NOS. 521 & 522

**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 INDIA, THE REPUBLIC OF KOREA,
MALAYSIA, TAIWAN AND THE SOCIALIST REPUBLIC OF
VIETNAM**

AND

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

17 December 2020

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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 |
| AEP | ascertained export price |
| AFP | Anti Finger Print |
| AZ | Aluminium Zinc |
| the Minister | the Minister for Industry, Science and Technology |
| BlueScope | BlueScope Steel Limited (also, the applicant) |
| BMT | base metal thickness |
| China | the People's Republic of China |
| Chung Hung | Chung Hung Steel Corporation |
| the Commission | the Anti-Dumping Commission |
| the Commissioner | the Commissioner of the Anti-Dumping Commission |
| CSCM | CSC Steel Sdn Bhd |
| CSVC | China Steel Sumikin Vietnam Joint Stock Company |
| CTM | cost to make |
| CTMS | cost to make and sell |
| Dingxin | Shandong Guanzhou Dingxin Plate Technology Co. Ltd |
| the Direction | <i>Customs (Extensions of Time and Non-cooperation) Direction 2015</i> |
| Dongbu | Dongbu Steel Co., Ltd (now KG Dongbu Co. Ltd) |
| DS 529 | WTO Panel Report Australia – <i>Anti Dumping Measures on A4 Copy Paper</i> |
| Dumping Duty Act | <i>Customs Tariff (Anti-Dumping) Act 1975</i> |
| EPR | electronic public record |
| EXW | Ex Works |
| the Explanatory Memorandum | the explanatory memorandum to the <i>Custom Amendment (Anti-Dumping Measures) Bill 2017</i> |
| FOB | free on board |
| the goods | the goods subject of the anti-dumping measures (also referred to as the goods under consideration or subject goods) |
| GOC | Government of China |

PUBLIC RECORD

| | |
|-------------------|---|
| GOI | Government of India |
| the Guidelines | <i>Guidelines on the Application of Forms of Dumping Duty</i> |
| Hongshun | Guanxian Hongshun Composite Material Co., Ltd |
| HRC | hot rolled coil |
| HRS | hot rolled (narrow) strip coil |
| HSS | hollow structural sections of steel |
| Huada | Zhejiang Huada New Materials Co., Ltd. |
| ICD | interim countervailing duty |
| IDD | interim dumping duty |
| Korea | the Republic of Korea |
| the Manual | <i>Dumping and Subsidy Manual</i> |
| MCC | model control code |
| the Minister | the Minister for Industry, Science and Technology |
| mm | millimetres |
| MT | Metric tonnes |
| NDRC | National Development and Reform Commission |
| NIP | non-injurious price |
| OCOT | ordinary course of trade |
| OECD | Organisation for Economic Co-operation and Development |
| Prosperity | Prosperity Tieh Enterprise Co., Ltd |
| the Regulation | <i>Customs (International Obligations) Regulation 2015</i> |
| R&D | Research and development |
| REP | Anti-Dumping Commission final report |
| REQ | response to the exporter questionnaire |
| the review period | 1 July 2018 to 30 June 2019 |
| RMB | Chinese Yuan |
| SEF | Anti-Dumping Commission statement of essential facts |
| SG&A | selling, general and administrative |
| SIE | state invested enterprise |
| SOE | State Owned Enterprise |
| USP | unsuppressed selling price |
| USD | United States Dollar |
| VAT | Value added tax |

PUBLIC RECORD

| | |
|-----------|------------------------------------|
| VND | Vietnamese dong |
| WTO | World Trade Organization |
| Yieh Phui | Yieh Phui Enterprise Co., Ltd |
| Z | Zinc |
| ZF | Zinc/Iron alloy coating |
| Zongcheng | Jiangyin Zongcheng Steel Co., Ltd. |

1 SUMMARY

1.1 Introduction

This statement of essential facts (SEF) sets out the facts on which the Commissioner of the Anti-Dumping Commission (the Commissioner) proposes to base his recommendations to the Minister for Industry, Science and Technology (the Minister) in relation to 2 reviews of anti-dumping measures:

- Review no. 521 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 India (India), the Republic of Korea (Korea), Malaysia, Taiwan and the Socialist Republic of Vietnam (Vietnam), and a countervailing duty notice applying to certain zinc coated (galvanised) steel exported from China and India; and
- Review no. 522 relates to a dumping duty notice applying to certain aluminium zinc coated steel exported to Australia from China, and a countervailing duty notice applying to certain aluminium zinc coated steel exported from China.

This report refers to zinc coated (galvanised) steel and aluminium zinc coated steel, either singularly or collectively depending on the context, as “the goods”.

These 2 reviews of measures are being conducted in response to applications from BlueScope Steel Limited (referred to as the applicant, or BlueScope). These applications for reviews are based on a change in the variable factors,¹ relevant to the taking of the anti-dumping measures. For these 2 reviews, the relevant variable factors are the export price, normal value, non-injurious price (NIP) and the amount of countervailable subsidy received.

1.2 Legislative framework

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

Division 5 empowers the Commissioner to reject or not reject an application for a review of anti-dumping measures. If the Commissioner does not reject the application, he is required to publish a notice indicating that it is proposed to review the measures covered by the application.²

The Commissioner must, within 110 days after the publication of the notice or such longer period as the Minister allows, place on the public record a SEF on which the Commissioner proposes to base his recommendation to the Minister in relation to the review of anti-dumping measures.³

1.3 Preliminary findings

The Commissioner finds that all variable factors relevant to the taking of the anti-dumping measures changed during the review period (1 July 2018 to 30 June 2019).

¹ Section 269ZC(2)(b)(i) of the *Customs Act 1901*. All references to legislation in this report are to the *Customs Act 1901*, unless otherwise specified.

² Section 269ZC(4).

³ Section 269ZD(1).

In relation to **zinc coated (galvanised) steel** exported from China, India, Korea, Malaysia, Taiwan and Vietnam to Australia:

- the ascertained export price (AEP) has changed;
- the ascertained normal value has changed;
- the ascertained NIP has changed; and
- the amount of countervailable subsidy received has changed (for China and India only).

In relation to **aluminium zinc coated steel** exported from China to Australia:

- the AEP has changed;
- the ascertained normal value has changed;
- the ascertained NIP has changed; and
- the amount of countervailable subsidy received has changed.

1.4 Proposed recommendations

1.4.1 Zinc coated (galvanised) steel

The Commissioner proposes, subject to the consideration of any submissions in response to the SEF,⁴ to recommend to the Minister that the dumping duty notice (applying to exports from China, India, Korea, Malaysia, Taiwan and Vietnam) and the countervailing duty notice (applying to exports from China and India) have effect as if different variable factors had been ascertained. The revised variable factors resulted in different dumping margins relevant to the taking of interim dumping duty (IDD). For exports from China and India, the revised variable factors resulted in different subsidy margins relevant to the taking of interim countervailing duty (ICD).

1.4.2 Aluminium zinc coated steel

The Commissioner proposes, subject to the consideration of any submissions in response to the SEF, to recommend to the Minister that the dumping duty notice and the countervailing duty notice (applying to exports from China) have effect as if different variable factors had been ascertained. The revised variable factors resulted in different dumping margins relevant to the taking of IDD. For exports from China, the revised variable factors resulted in different subsidy margins relevant to the taking of ICD.

⁴ The process of making submissions is described on the Commission's website and the timeframe for making a submission in this review is set out in the following chapter.

2 BACKGROUND

2.1 Application and initiation

On 30 July 2019, BlueScope lodged an application requesting a review of the anti-dumping measures as they apply to all exports of certain zinc coated (galvanised) steel to Australia from China, India, Korea, Malaysia, Taiwan and Vietnam. BlueScope claimed that certain variable factors established in *Anti-Dumping Commission Report No. 370* (REP 370), *Anti-Dumping Commission Report Nos. 449 and 450* (REP 449 and 450) and *Anti-Dumping Commission Report Nos. 456 and 457* (REP 456 and 457) have changed.

On 2 August 2019, BlueScope lodged a separate application requesting a review of the anti-dumping measures as they apply to all exports of certain aluminium zinc coated steel to Australia from China. BlueScope claimed that certain variable factors established in REP 449 and 450 and REP 456 and 457 have changed.

The applications were not precluded by section 269ZA(2), which provides that an application for review must not be lodged earlier than 12 months after the publication of a dumping duty notice or countervailing duty notice, or a notice declaring the outcome of the last review of such measures. No such notice for either zinc coated (galvanised) steel or aluminium zinc coated steel was published within the twelve months preceding BlueScope's application.⁵

The Commissioner initiated reviews of the anti-dumping measures applying to zinc coated (galvanised) steel exported to Australia from China, India, Korea, Malaysia, Taiwan and Vietnam and aluminium zinc coated steel exported to Australia from China.⁶ Notification of the initiation of these reviews was published on the Commission's website on 23 August 2019.⁷

The initiation notice advised that the SEF would be placed on the public record on or before 11 December 2019. The initiation notice also advised that a recommendation to the Minister would be made in a final report on or before 25 January 2020. The timeframe for publishing the SEF and final report was subsequently extended on several occasions under section 269ZHI(3)⁸ such that the SEF would now be published no later than **17 December 2020** and that the Commissioner's recommendations will be made in a report due to be provided to the Minister on or before **14 February 2021**.⁹

⁵ The most recent notices for galvanised steel were ADN No. 2018/94 (review) and ADN No. 2018/96 (continuation), published on 17 July 2018. The most recent notices for aluminium zinc coated steel was ADN No. 2018/95 (review), published on 17 July 2018.

⁶ In relation to dumping duties, exports from Dongkuk Steel Mill Co. Ltd, POSCO, Ta Fong Steel Co. Ltd, Sheng Yu Steel Co. Ltd, Hoa Sen Group, Nam Kim Steel Joint Stock Company were not considered as these entities are exempt from measures. In relation to countervailing duties for China, exports from Angang Steel Company Ltd, ANSC-TKS Galvanizing Co. Ltd, Yieh Phui Technomaterial Co. Ltd, Jiangyin Zongcheng Steel Co. Ltd and Shangdong Guanzhou Dingxin Plate Technology Co. Ltd were not considered as these entities are exempt from measures.

⁷ EPR 521 document no. 003; EPR 522 document no. 003.

⁸ ADN Nos. 2019/147, 2020/035, 2020/069, 2020/094 and 2020/122.

⁹ As this day is a Sunday, the due date becomes the next working day, 15 February 2021: section 36(2), *Acts Interpretation Act 1901* (Cth).

2.2 History of the anti-dumping measures

2.2.1 Zinc coated (galvanised) steel

The Commission¹⁰ has carried out several inquiries into zinc coated (galvanised) steel. A summary of these inquiries is set out in the table below. This summary focus on cases relating to all exporters from countries relevant to this review and therefore excludes exemption and accelerated review inquiries (but includes reviews of measures for exporters relevant to this review). Further information regarding the measures on zinc coated (galvanised) steel is also available on the Commission's electronic public record (EPR).¹¹

| Case | ADN | Minister's decisions ADN date | Country of export | Findings |
|---|---|----------------------------------|--------------------------|--|
| 190 and 193 (Investigation) | 2013/66 ¹² | 5 August 2013 | China, Korea, Taiwan | <ul style="list-style-type: none"> • IDD imposed on China, Korea and Taiwan • ICD imposed on China |
| 290 and 298 (Anti-Circumvention inquiries) | 2016/23 ¹³ | 17 March 2016 | China, Taiwan | <ul style="list-style-type: none"> • Changed goods description to include alloyed goods |
| 365, 366, 368, 371, 374, 376 (Review) | 2017/49 ¹⁴ | 10 May 2017 | China, Taiwan | <ul style="list-style-type: none"> • IDD varied for China and Taiwan |
| 370 (Investigation) | 2017/99 ¹⁵ | 16 August 2017 | India, Malaysia, Vietnam | <ul style="list-style-type: none"> • IDD imposed on India, Malaysia and Vietnam • ICD imposed on India |
| 449 (Continuation) and 457 (Review) | 2018/96 (Continuation) ¹⁶ 2018/94 (Review) ¹⁷ | 12 July 2018 | China, Korea, Taiwan | <ul style="list-style-type: none"> • IDD varied for China, Korea and Taiwan |

Table 1: Summary of past cases – zinc coated (galvanised) steel

2.2.1.1 Period

For exporters from China, Korea and Taiwan the original investigation period was 1 July 2011 to 30 June 2012 and the most recent review period is 1 October 2016 to 30 September 2017.

¹⁰ Throughout this report, the two terms, Commission and Commissioner, are used interchangeably. While the term Commission is used, it should be taken that the Commissioner has formulated this SEF in line with section 269ZD(2).

¹¹ Available on the Commission website.

¹² *International Trade Remedies Branch Report Nos. 190 and 193* (REP 190 and 193), and ADN 2013/66.

¹³ *Anti-Dumping Commission Report Nos. 290 and 298*, and ADN 2016/23.

¹⁴ *Anti-Dumping Commission Report Nos. 365, 366, 367, 368, 371, 372, 374, 375, and 376* (REP 365 et al.), and ADN 2017/49.

¹⁵ REP 370 and ADN 2017/99.

¹⁶ REP 449 and 450, and ADN 2018/96.

¹⁷ REP 456 and 457, and ADN 2018/94.

For exporters from India, Malaysia and Vietnam the original investigation period is 1 July 2015 to 30 June 2016. There were no subsequent review of measures for exporters from India, Malaysia and Vietnam.

2.2.2 Aluminium zinc coated steel

The Commission has carried out several inquiries into aluminium zinc coated steel. A summary of these inquiries is set out in the table below. This summary focus on cases relating to all exporters from country relevant to this review and therefore excludes exemption and accelerated review inquiries (but includes reviews of measures for exporters relevant to this review). Further information regarding the measures on aluminium zinc coated steel is also available on the Commission's website.¹⁸

| Case | ADN | Minister's decisions ADN date | Country of export | Findings |
|-------------------------------------|---|----------------------------------|----------------------|--|
| 190 and 193 (Investigation) | 2013/66 ¹⁹ | 5 August 2013 | China, Korea, Taiwan | <ul style="list-style-type: none"> • IDD imposed on China and Korea • ICD imposed on China • Measures not imposed on Taiwan |
| 367, 372, 375 (Review) | 2017/48 ²⁰ | 10 May 2017 | China | <ul style="list-style-type: none"> • IDD varied for China |
| 456 (Review) and 450 (Continuation) | 2018/95 (Review) ²¹ , 2018/97 (Continuation) ²² | 12 July 2018 | China, Korea | <ul style="list-style-type: none"> • IDD varied for China • Measures ceased for Korea |

Table 2: Summary of past cases – aluminium zinc coated steel

2.2.2.1 Period

For exporters from China the original investigation period was 1 July 2011 to 30 June 2012 and the most recent review period is 1 October 2016 to 30 September 2017.

2.3 Current anti-dumping measures

The details of the anti-dumping measures are summarised in the tables below.²³ Further details of the measures in place on exports of the goods are available in the Dumping Commodity Register on the EPR.

¹⁸ Available on the Commission website.

¹⁹ Final Report REP 190 and ADN 2013/66.

²⁰ Final Reports REP 367, 372 and 375, and ADN 2017/48.

²¹ Final Report REP 456 and 457, and ADN 2018/95.

²² Final Report REP 449 and 450, and ADN 2018/97.

²³ In relation to zinc coated (galvanised) steel, exporters that are not subject to measures are not listed in the table below.

2.3.1 Zinc coated (galvanised) steel

| Country | Exporter | Measure | Form of measures | Effective rate of duty |
|---------|---|-----------|------------------|------------------------|
| China | ANSC-TKS Galvanizing Co Ltd also known as: TAGAL (ANSC-TKS Galvanising Co Ltd) supplied directly or through: Marubeni-Itochu Steel Oceania Pty Ltd | IDD | Combination | 20.6% |
| | Angang Steel Company Limited supplied through: Angang Group Hong Kong Co Ltd; or Angang Group International Trade Corporation; or Angang Group International Trade Group; or SK Networks Co Ltd; or Duferco SA; or Duferco Asia Pte Ltd | IDD | Combination | 15.7% |
| | Yieh Phui Technomaterial Co. Ltd supplied directly or through: Ningbo Baorong Trading Co. Ltd; or Asiazone Co.Limited; or Metal Top Enterprise; or Landsky (Hong Kong) Co. Ltd or Taikak (Hong Kong) Co. Ltd | IDD | Combination | 6.7% |
| | Jiangyin Zongcheng Steel Co. Ltd | IDD | Combination | 18.6% |
| | Shandong Guanzhou Dingxin Plate Technology Co. Ltd supplied directly or through: Guanxian Lianhao Metal Material Co. Ltd | IDD | Floor price | - |
| | All other exporters | IDD & ICD | Combination | 43.4% |
| Taiwan | Chung Hung Steel Corporation supplied directly or through Forever Fortune Steel Co Ltd; or Japmas Steel Sdn Bhd; or Pin Wan Enterprise Co Ltd | IDD | Combination | 10.2% |
| | Yieh Phui Enterprise Co Ltd supplied directly or though Asiazone Co Limited; or TIASCO Ltd | IDD | Combination | 2.4% |
| | Synn Industrial Co. Ltd | IDD | Combination | 6.1% |
| | All other exporters | IDD | Combination | 28.2% |

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| Country | Exporter | Measure | Form of measures | Effective rate of duty |
|----------|---|-----------|------------------|------------------------|
| Korea | Dongbu Steel Co Ltd supplied directly or through OneSteel Recycling Hong Kong Limited; or Stemcor Australia Pty Ltd; or SK Networks Co Ltd; or Toyota Tsusho Korea Corporation; or Stinko Co.,Ltd; or Sunjin Co. Ltd.; or Duferco SA; or ST. International; or Duferco Asia Pte Ltd | IDD | Combination | 2.4% |
| | All other exporters | IDD | Combination | 13.7% |
| India | JSW Steel Limited | IDD & ICD | Combination | 10.0% |
| | JSW Steel Coated Products Limited | IDD & ICD | Combination | 10.0% |
| | Essar Steel India Limited | IDD & ICD | Combination | 7.6% |
| | All other exporters | IDD & ICD | Combination | 14.3% |
| Malaysia | CSC Steel Sdn Bhd | IDD | Combination | 14.5% |
| | FIW Steel Sdn Bhd | IDD | Combination | 16.5% |
| | All other exporters | IDD | Combination | 16.5% |
| Vietnam | China Steel Sumikin Vietnam Joint Stock Company | IDD | Combination | 8.4% |
| | All other exporters | IDD | Combination | 14.2% |

Table 3: Anti-dumping measures – zinc coated (galvanised) steel

2.3.2 Aluminium zinc coated steel

| Country | Exporter | Measure | Form of measures | Effective rate of duty |
|---------|---|-----------|------------------|------------------------|
| China | Union Steel China | IDD | Combination | 31.5% |
| | Angang Steel Company Limited Supplied directly or through: Angang Group Hong Kong Co Ltd; or Angang Group International Trade Corporation | IDD | Combination | 29.3% |
| | Yieh Phui Technomaterial Co Ltd Supplied directly or through: Asiazone Co. Limited; or Metal Top Enterprise Ltd or Landsky (Hong Kong) Co., Limited | IDD | Combination | 27.6% |
| | Jiangyin Zong Cheng Steel Co Ltd Supplied directly or through: Duferco Asia Pte Ltd or Duferco SA | IDD | Combination | 9.5% |
| | Zhejiang Huada New Materials Co. Ltd | IDD & ICD | Floor price | 0.5% |
| | All other Exporters | IDD & ICD | Combination | 53.2% |

Table 4: Anti-dumping measures – aluminium zinc coated steel

2.4 Current 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,²⁴ or the Minister may request that the Commissioner conduct, a review of those anti-dumping measures if one or more of the variable factors has changed.²⁵

The Minister may initiate a review at any time.²⁶ However, a review application must not be lodged earlier than 12 months after publication of the dumping duty notice, the countervailing duty notice or the notice(s) declaring the outcome of the last review.²⁷

If an application for a review of anti-dumping measures is received and not rejected, 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.²⁸

During the course of a review, the Commissioner will examine whether the variable factors changed. The Commission has examined the period from 1 July 2018 to 30 June 2019 (the review period) to establish the variable factors for these reviews.

²⁴ Section 269ZA(1).

²⁵ Section 269ZA(3)(b)(i).

²⁶ Section 269ZA(3).

²⁷ Section 269ZA(2)(a).

²⁸ Section 269ZDA(1).

Variable factors are a reference to:²⁹

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

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 Minister concerning the review of the anti-dumping measures.³⁰

For these reviews, in making recommendations in his final report to the Minister, the Commissioner must have regard to:³¹

- the application for 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;
- this SEF; and
- any submission made in response to this SEF that is received by the Commissioner within 20 days after the placing of the SEF on the public record.

The Commissioner may also have regard to any other matter considered to be relevant to these reviews.³²

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

- remain unaltered;³³ or
- be revoked in its application to a particular exporter or to a particular kind of goods or revoked generally;³⁴ or
- have effect, in relation to a particular exporter or to exporters generally, as if different variable factors had been ascertained.³⁵

Following the Minister's decision, the Minister must give notice of the decision.³⁶

2.4.1 Australian industry

The Commission conducted a verification visit to BlueScope in September 2019. As a result of the visit and based on the Commission's understanding of the market, the Commissioner is satisfied

²⁹ Section 269T(4E).

³⁰ Section 269ZD(1).

³¹ Section 269ZDA(3)(a).

³² Section 269ZDA(3)(b).

³³ Section 269ZDA(1)(a)(i).

³⁴ Section 269ZDA(1)(a)(ii).

³⁵ Section 269ZDA(1)(a)(iii).

³⁶ Section 269ZDB(1).

that BlueScope is the only manufacturer of zinc coated (galvanised) steel and aluminium zinc coated steel in Australia and represents the Australian industry producing like goods to the goods covered by the measures. The report of the visit is available on the public record.³⁷

2.4.2 Importers

The Commission identified numerous importers in the Australian Border Force (ABF) import database that imported zinc coated (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 5 completed importer questionnaires concerning the imports of zinc coated (galvanised) steel.

The Commission verified the information provided by these 5 cooperating importers, and the verification report for each is available on the public record.³⁸

The Commission placed a copy of the importer questionnaire on its website for completion by other importers who were not contacted directly. No other importer responses were received.

No importer questionnaire response was received concerning the imports of aluminium zinc coated steel.

2.4.3 Exporters

The Commission identified exporters of zinc coated (galvanised) steel and aluminium zinc coated steel using data from the ABF import database. The Commission then forwarded exporter questionnaires to the exporters that exported the most significant volumes of zinc coated (galvanised) steel and aluminium zinc coated steel during the review period from countries relevant to these 2 reviews. The Commission also forwarded exporter questionnaires to all known exporters who previously exported zinc coated (galvanised) steel and aluminium zinc coated steel from countries relevant to these 2 reviews. The relevant exporter questionnaires and associated spreadsheets were also placed on the Commission's website for completion by other suppliers who were not contacted directly.

Zinc coated (galvanised) steel

Ten complete responses to the exporter questionnaire (REQs) were received by the due date of 30 September 2019 or by the revised due date granted by the Commission.³⁹ Out of the 10 REQs, 2 REQs were from traders:

- Asiazone Co., Limited – trader for Yieh Phui Enterprise Co., Ltd; and
- Guanxian Lianhao Metal Co., Ltd – trader for Shangdong Guanzhou Dingxin Plate Technology Co., Ltd.

The Commission completed onsite verification of the data submitted by 3 exporters of zinc coated (galvanised) steel who provided a REQ by the due date. The Commission completed benchmark verification on the other 5 exporters who also provided a REQ by the due date.

³⁷ EPR 521 document no. 017; EPR 522 document no. 009.

³⁸ EPR 521 document nos. 024 - 028.

³⁹ EPR 521 document no. 006.

See chapters 4 and 5 of this report for the verification activities relating to the exporters the subject of the reviews.

Aluminium zinc coated steel

Two complete responses to the REQs were received by the due date of 30 September 2019 or by the revised due date granted by the Commission.⁴⁰

The Commission completed a desktop verification of the data submitted by one exporter while a benchmark verification was completed on the other exporter.

See chapters 4 and 5 of this report for the verification activities relating to the exporters the subject of the reviews.

2.4.3.1 Cooperative exporters

Zinc coated (galvanised) steel

| Country | Exporter name |
|---------|---|
| China | Shangdong Guanzhou Dingxin Plate Technology Co., Ltd. (Dingxin) |
| | Jiangyin Zongcheng Steel Co Ltd (Zongcheng) |
| | Guanxian Hongshun Composite Material Co., Ltd (Hongshun) |
| Korea | Dongbu Steel Co., Ltd (now KG Dongbu Co. Ltd) (Dongbu) |
| Taiwan | Yieh Phui Enterprise Co., Ltd (Yieh Phui) |
| | Chung Hung Steel Corporation (Chung Hung) |
| | Prosperity Tieh Enterprise Co., Ltd (Prosperity) |
| Vietnam | China Steel Sumikin Vietnam Joint Stock Company (CSVN) |

Table 5: Summary of cooperative exporters for zinc coated (galvanised) steel

Aluminium zinc coated steel

| Country | Exporter name |
|---------|---|
| China | Jiangyin Zongcheng Steel Co Ltd (Zongcheng) |
| | Zhejiang Huada New Materials Co., Ltd (Huada) |

Table 6: Summary of cooperative exporters for aluminium zinc coated steel

2.4.3.2 Uncooperative and non-cooperative exporters⁴¹

Sections 269T(1) and 269TAACA(1) provide that an exporter is an “uncooperative exporter” (in relation to the dumping notice) or a “non-cooperative” entity (in relation to the countervailing notice), respectively, where the Commissioner is satisfied that an exporter did not give the Commissioner information that the Commissioner considered to be relevant to the review, within a

⁴⁰ EPR 522 document no. 006.

⁴¹ Refer to the meaning of non-cooperative entity set out in the Customs (Extension of Time and Non-cooperation) Direction 2015.

period the Commissioner considered to be reasonable, or where the Commissioner is satisfied that an exporter significantly impeded the review.

The *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Direction) states at sections 8 and 9 that the Commissioner must determine an exporter to be an uncooperative exporter or a non-cooperative entity, respectively, on the basis that no relevant information was provided in a reasonable period, if that exporter or entity 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 and entities that did not provide a response to the exporter questionnaire, or which did not request a longer period to provide a response within the legislated period (being 37 days, concluding on 30 September 2019 or revised due date after an extension of time granted by the Commission) are uncooperative exporters or non-cooperative entities for the purpose of these reviews.

In relation to zinc coated (galvanised) steel, the Commission considers those exporters and entities from China that did not provide a response to the exporter questionnaire to be uncooperative for the purposes of the dumping notice and non-cooperative for the purpose of the countervailing notice, and exporters from Korea, Taiwan and Vietnam that did not provide a response to the exporter questionnaire to be uncooperative. The Commission also finds that all exporters from Malaysia are uncooperative exporters.⁴² The Commission also finds that all exporters from India to be uncooperative for the purposes of the dumping notice and non-cooperative for the purpose of the countervailing notice.

In relation to aluminium zinc coated steel, the Commission considers those exporters and entities from China that did not provide a response to the exporter questionnaire to be uncooperative for the purposes of the dumping notice and non-cooperative for the purpose of the countervailing notice.

2.5 Governments

Zinc coated (galvanised) steel

On the day the review was initiated, the Commission contacted the government of the 6 subject countries advising its initiation of Review no. 521 concerning zinc coated (galvanised) steel.

The Commission invited the Government of China (GOC) to complete a government questionnaire. The government questionnaire sought information regarding the subsidy programs that were countervailed in the original investigation (Investigation No. 193) and the most recent review, and additional new programs that may be in operation in relation to exporters of the goods and information about the Chinese zinc coated (galvanised) steel industry. The due date for the GOC's response was 30 September 2019. The GOC did not lodge a government questionnaire response.

The Commission also invited the Government of India (GOI) to complete a government questionnaire. The government questionnaire sought information regarding the subsidy programs that were countervailed in the investigation (Investigation No. 370) and additional new programs that may be in operation in relation to exporters of the goods and information about the zinc coated (galvanised) steel industry in India. The due date for the GOI's response was 15 October

⁴² This includes CSCM from Malaysia. Refer to sections 2.4.3.2 and 4.6.9.4 of this report for further details.

2019, after the GOI sought an extension from 30 September 2019 to 15 October 2019. The GOI lodged a response to the government questionnaire on the 15 October 2019.⁴³

Aluminium zinc coated steel

On the day the review was initiated, the Commission contacted the GOC advising its initiation of Review no. 522 concerning aluminium zinc coated steel.

The Commission invited the GOC to complete a government questionnaire. The government questionnaire sought information regarding the subsidy programs that were countervailed in the original investigation and the most recent review, and additional new programs that may be in operation in relation to exporters of the goods and information about the Chinese aluminium zinc coated steel industry. The due date for the GOC's response was 30 September 2019. The GOC did not lodge a government questionnaire response.

2.6 Submissions received from interested parties

Zinc coated (galvanised) steel

The following submissions have been received from interested parties:

| Interested Party | Date | Description | EPR 521 document number |
|----------------------------|-------------------|--|-------------------------|
| BlueScope | 24 September 2019 | Regarding Unsuppressed Selling Price (USP) and NIP | 5 |
| CSC Steel Sdn. Bhd. (CSCM) | 7 October 2019 | Response to initiation of review | 9 |
| BlueScope | 15 May 2020 | Regarding Dongbu's verification | 30 |
| Dongbu | 27 May 2020 | Regarding NIP and lesser duty rule | 31 |
| Dongbu | 27 May 2020 | Regarding change of name | 32 |
| BlueScope | 11 June 2020 | Regarding Dongbu change of name | 34 |
| BlueScope | 16 June 2020 | Regarding Dongbu's submission on NIP | 35 |
| Dongbu | 24 June 2020 | Response to BlueScope's submission regarding company name change | 37 |
| BlueScope | 29 June 2020 | Regarding Chung Hung's verification | 38 |
| BlueScope | 4 August 2020 | Regarding CSV's verification | 42 |

Table 7: Submissions received – zinc coated (galvanised) steel

The matters raised in each of these submissions have been addressed in the relevant sections of this SEF.

⁴³ EPR 521 document no. 016.

Aluminium zinc coated steel

The following submission has been received from an interested party:

| Interested Party | Date | Description | EPR 522 document number |
|------------------|-------------------|-----------------------|-------------------------|
| BlueScope | 24 September 2019 | Regarding USP and NIP | 5 |

Table 8: Submission received – aluminium zinc coated steel

The matters raised in the submission above have been addressed in the relevant sections of this SEF.

2.7 Responding to this SEF

This SEF sets out the essential facts on which the Commissioner proposes to base his final recommendations to the Minister.⁴⁴

It is important to note that the SEF may not represent the final views of the Commissioner. The final report will recommend whether or not the dumping duty and/or countervailing duty notices should be varied, and the extent of any interim duties that are, or should be, payable.⁴⁵

Interested parties are invited to make submissions to the Commissioner in response to the SEF within 20 days of the SEF being placed on the public record. However, noting the holiday period during December 2020 and January 2021, any submissions received after 20 January 2021 may not be considered by the Commission in preparing the final report. The Commissioner is not obliged to have regard to any submission made in response to the SEF received after this date if to do so would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Minister.⁴⁶

Submissions should preferably be emailed to investigations4@adcommission.gov.au. Alternatively, they may be posted to:

Director, Investigations 4
Anti-Dumping Commission
GPO 2013
Canberra ACT 2601
AUSTRALIA

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the public record. A guide for making submissions is available at the Commission's website at www.adcommission.gov.au.

The public record contains non-confidential submissions by interested parties, the non-confidential versions of the Commission's verification reports and other publicly available documents. The public record can be viewed online on the Commission's website.

⁴⁴ Section 269ZD(1).

⁴⁵ Section 269ZDA.

⁴⁶ Section 269ZDA(4).

Documents on the public record for this review should be read in conjunction with this SEF.

2.8 Final report

The Commissioner's final report and recommendations must be provided to the Minister within 155 days after the publication of a notice under section 269ZC(4), or such longer period as the Minister allows.⁴⁷

As advised in ADN No. 2020/122, an extension of time to complete the final report was granted, in conjunction with the extension of time to the publishing of the SEF. The final report and recommendations must now be provided to the Minister on or before **14 February 2021**⁴⁸ or within such longer period as may be allowed.

⁴⁷ Section 269ZDA(1). It is noted that, on 14 January 2017, the powers and functions of the Minister under section 269ZHI were delegated to the Commissioner. Refer to ADN No. 2017/10 for further information.

⁴⁸ As this day is a Sunday, the due date becomes the next working day, 15 February 2021.

3 THE GOODS AND LIKE GOODS

3.1 The goods subject to the measures

3.1.1 Zinc coated (galvanised) steel

Full description of the goods the subject of the application

In relation to China, Korea and Taiwan, the goods description is: ⁴⁹

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

and

In relation to India, Malaysia and Vietnam, the goods description is: ⁵⁰

Flat rolled iron and steel products (whether or not containing alloys) that are plated or coated with zinc exported to Australia from India, Malaysia and Vietnam. Galvanised steel of any width is included.

Further information

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). 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 Commission understands from previous inquiries 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.

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).

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

⁴⁹ ADN No. 2018/94.

⁵⁰ ADN No. 2017/99.

| Tariff classification |
|---|
| <p>The goods are generally, but not exclusively, classified to the following tariff classifications in Schedule 3 of the <i>Customs Tariff Act 1995</i>:</p> <ul style="list-style-type: none"> • 7210.49.00 statistical code 55, 56, 57 and 58; • 7212.30.00 statistical code 61; • 7225.92.00* statistical code 38* • 7226.99.00* statistical code 71* <p>*These tariff subheadings only apply: (1) All exporters from India, Malaysia and Vietnam, (2) Angang Steel Co. Ltd (China); (3) Benxi Iron and Steel (Group) International Economic and Trading Co. (China); and (4) Yieh Phui Enterprise Co. Ltd (Taiwan).</p> |

Table 9: Goods description and tariff classifications of zinc coated (galvanised) steel

3.1.2 Aluminium zinc coated steel

| Full description of the goods the subject of the application |
|--|
| 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 ⁵¹ |
| Further information |
| <p>The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m² with the prefix being AZ (Aluminium Zinc). Common coating masses used are: AZ200, AZ150, AZ100, and AZ70.</p> <p>The Commission understands from previous inquiries that trade and other names often used to describe aluminium zinc coated steel include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>Painted aluminium zinc coated steel, pre-painted aluminium zinc coated steel and corrugated aluminium zinc coated steel are not covered by the measures.</p> |
| Tariff classification |
| <p>The goods are generally, but not exclusively, classified to the following tariff classifications in Schedule 3 of the <i>Customs Tariff Act 1995</i>:</p> <ul style="list-style-type: none"> • 7210.61.00 statistical code 60, 61 and 62 |

Table 10: Goods description and tariff classifications of aluminium zinc coated steel

⁵¹ ADN No. 2018/97.

3.2 Model Control Code structure

In previous investigations, reviews and/or inquiries, in order to compare the export price of the goods to the corresponding normal value of like goods for the purpose of assessing whether dumping had occurred, the Commission analysed a number of factors in respect of model matching and considered them on an exporter by exporter basis. These factors included steel grade, base metal thickness and coating mass.

In this review, the Commission has conducted model matching in order to identify key characteristics that will be used to match models of the goods exported to Australia to like goods sold domestically in the country of export. The Commission considers that the most appropriate method of comparing the goods' normal values to export prices is to conduct model matching by applying a model control code (MCC) structure⁵² as a framework for comparing goods exported to Australia with similar like goods sold on the exporter's domestic market. The MCC structure is based on information received from the applicant and any other information the Commission considers relevant. The MCC structure has been applied in questionnaire responses provided to interested parties.

The proposed MCC structure for both zinc coated (galvanised) steel and aluminium zinc coated steel were described in ADN No. 2019/100, at the time of initiating these reviews, and is displayed in the tables below.

⁵² On 9 August 2018, the Commission advised in ADN No. 2018/128 that a model control code structure would be implemented in new investigations, reviews or continuations for cases initiated after that date. The MCC process provides a framework for comparing normal values with export prices.

3.2.1 Zinc coated (galvanised) steel

| Item | Category | Sub-Category | Identifier | Sales Data | Cost Data |
|------|----------------------------|--|------------|------------|----------------|
| 1 | Alloy content | Alloy | A | Mandatory | Not applicable |
| | | Non-alloy | NA | | |
| 2 | Prime | Prime | P | Mandatory | Not applicable |
| | | Non – Prime | N | | |
| 3 | Steel Base | Hot Rolled | H | Mandatory | Mandatory |
| | | Cold Rolled | C | | |
| 4 | Coating Type | Zinc Coated (Z) | Z | Mandatory | Mandatory |
| | | Zinc / Iron Alloy Coating (ZF / F) | F | | |
| 5 | Coating Mass | $\leq 100 \text{ g/m}^2$ | 1 | Mandatory | Mandatory |
| | | $>100 \text{ g/m}^2 \text{ to } \leq 220 \text{ g/m}^2$ | 2 | | |
| | | $> 220 \text{ g/m}^2 \text{ to } \leq 300 \text{ g/m}^2$ | 3 | | |
| | | $>Z300 \text{ g/m}^2 \text{ to } \leq 400 \text{ g/m}^2$ | 4 | | |
| | | $>400 \text{ g/m}^2$ | 5 | | |
| 6 | Steel Grade | G2 / SGCC / SGHC | A | Mandatory | Mandatory |
| | | G3 / SGCD | B | | |
| | | G250 / SGC 340 / SGHC 340 / SGC 340 / SGHC 340 | C | | |
| | | G300 / G350 / SGC 400 / SGHC 400 / SGC 440 / SGCH 440 / SGC 490 / SGHC 490 | D | | |
| | | G450 / G500 | E | | |
| | | G550 / SGC 570 | F | | |
| | | Other | G | | |
| 7 | Base Metal Thickness (BMT) | $< 0.40 \text{ mm}$ | 1 | Mandatory | Mandatory |
| | | $\Rightarrow 0.40 \text{ mm to } < 0.50 \text{ mm}$ | 2 | | |
| | | $\Rightarrow 0.50 \text{ mm to } < 0.75 \text{ mm}$ | 3 | | |
| | | $\Rightarrow 0.75 \text{ mm to } < 1.00 \text{ mm}$ | 4 | | |
| | | $\Rightarrow 1.00 \text{ mm to } < 1.50 \text{ mm}$ | 5 | | |
| | | $\Rightarrow 1.50 \text{ mm to } < 2.00 \text{ mm}$ | 6 | | |
| | | $\Rightarrow 2.00 \text{ mm to } < 2.50 \text{ mm}$ | 7 | | |
| | | $\Rightarrow 2.50 \text{ mm}$ | 8 | | |
| 8 | Width | $< 600 \text{ mm}$ | A | Mandatory | Optional |
| | | $\Rightarrow 600 \text{ mm to } \leq 1220 \text{ mm}$ | B | | |
| | | $> 1220 \text{ mm}$ | C | | |
| 9 | Form | Coil | C | Mandatory | Optional |
| | | Sheet | S | Mandatory | Optional |

Table 11: MCC structure - zinc coated (galvanised) steel

3.2.2 Aluminium zinc coated steel

| Item | Category | Sub-category | Identifier | Sales Data | Cost data |
|------|----------------------------|---|------------|------------|----------------|
| 1 | Quality | Prime | P | Mandatory | Not applicable |
| | | Non-Prime | N | | |
| 2 | Coating Mass | $\leq 100 \text{ g/m}^2$ | 1 | Mandatory | Mandatory |
| | | $>100 \text{ g/m}^2$ to $\leq 165 \text{ g/m}^2$ | 2 | | |
| | | $> 165 \text{ g/m}^2$ | 3 | | |
| 3 | Standard/ Grade | G2 / SGLCC | A | Mandatory | Mandatory |
| | | G3 / SGLCD | B | | |
| | | G250 / SGLC 340 | C | | |
| | | G300 / G350 / SGLC 400 / SGLC 440 / SGLC 490 | D | | |
| | | G450 / G500 | E | | |
| | | G550 / SGLC 570 | F | | |
| | | Other | G | | |
| 4 | Base Metal Thickness (BMT) | $< 0.40 \text{ mm}$ | 1 | Mandatory | Mandatory |
| | | $\Rightarrow 0.40 \text{ mm to } < 0.50 \text{ mm}$ | 2 | | |
| | | $\Rightarrow 0.50 \text{ mm to } < 0.75 \text{ mm}$ | 3 | | |
| | | $\Rightarrow 0.75 \text{ mm to } < 1.00 \text{ mm}$ | 4 | | |
| | | $\Rightarrow 1.00 \text{ mm to } < 2.00 \text{ mm}$ | 5 | | |
| 5 | Width | $< 600 \text{ mm}$ | 1 | Mandatory | Mandatory |
| | | $\Rightarrow 600 \text{ mm}$ | 2 | | |
| 6 | Form | Coil | C | Mandatory | Optional |
| | | Sheet | S | Mandatory | Optional |

Table 12: MCC structure - aluminium zinc coated steel

The Commission has sought submissions from interested parties on the MCC structures in the initiation of these reviews. No submissions were received.

3.3 Like goods

Section 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, among other things, 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.

3.3.1 Like goods assessment

Based on information available including findings from the original investigation and information gathered during the visit to BlueScope,⁵³ the Commission considers that, for both zinc coated (galvanised) steel and aluminium zinc coated steel:

- the primary physical characteristics of the goods exported to Australia and locally produced goods are similar, notwithstanding variations in technical specifications (i.e. grade or thickness);
- the goods exported to Australia and locally produced goods are commercially alike as they are sold to common users and directly compete in the same market;
- the goods exported to Australia and locally produced goods are functionally alike as they have a similar range of end-uses; and
- the goods exported to Australia and locally produced goods are manufactured in a similar manner.

In light of the above, the Commission is satisfied that both zinc coated (galvanised) steel and aluminium zinc coated steel produced by the Australian industry is like to the imported goods, as defined in section 269T(1) of the Act.

⁵³ REP 190, REP 370, EPR 521 document no. 017 and EPR 522 document no. 009.

4 VARIABLE FACTORS – DUMPING DUTY NOTICES

4.1 Preliminary findings

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) changed in respect of both zinc coated (galvanised) steel and aluminium zinc coated steel.

The Commissioner proposes to recommend to the Minister that the relevant dumping duty notices have effect as if different variable factors had been ascertained. The revised variable factors resulted in different dumping margins relevant to the taking of IDD. The preliminary dumping margins are set out in the tables below.

Zinc coated (galvanised) steel

| Country | Exporter | Dumping margin |
|----------|--|--------------------|
| China | Hongshun | 0.0% (floor price) |
| | Dingxin | -12.6% |
| | Zongcheng | 3.5% |
| | Uncooperative and all other exporters | 14.4% |
| India | Uncooperative and all other exporters | 12.0% |
| Korea | Dongbu | -4.1% |
| | Uncooperative and all other exporters | -1.4% |
| Malaysia | Uncooperative and all other exporters (including CSCM) | 16.5% |
| Taiwan | Chung Hung | -1.2% |
| | Prosperity | 0.0% (floor price) |
| | Yieh Phui | 5.3% |
| | Uncooperative and all other exporters | 8.6% |
| Vietnam | CSVN | -3.5% |
| | Uncooperative and all other exporters | -0.7% |

Table 13: Summary of dumping margins - zinc coated (galvanised) steel

Aluminium zinc coated steel

| Country | Exporter | Dumping margin |
|---------|---------------------------------------|--------------------|
| China | Huada | 0.0% (floor price) |
| | Zongcheng | 24.6% |
| | Uncooperative and all other exporters | 25.5% |

Table 14: Summary of dumping margins – Aluminium zinc coated steel

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.

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

4.3 Particular market situation – China

The application from BlueScope, in claiming changes in the review period to the variable factors relevant to the taking of the measures, pointed to past findings of the Commission (such as *Anti-Dumping Commission Report No. 456 and 457* (REP 456&457)) which indicated that a particular market situation existed in the China domestic market for both zinc coated (galvanised) steel and aluminium zinc coated steel.

Upon initiation, the Commission sent a questionnaire to the GOC requesting the following information in relation to the zinc coated (galvanised) steel and aluminium zinc coated steel market in China:

- identification of the names of the government departments, bureaus or agencies that are responsible for the administration of any GOC measures concerning the zinc coated (galvanised) steel and aluminium zinc coated steel industry;
- details of all manufactures/traders of zinc coated (galvanised) steel and aluminium zinc coated steel in China including location, whether they are a State Invested Enterprise (SIE) or State Owned Enterprise (SOE), production quantity and whether there is GOC representation in the business;
- a detailed description of the domestic Chinese zinc coated (galvanised) steel and aluminium zinc coated steel industry and the relevant upstream industries;
- quarterly import and export data (volume and value);
- details about the operation of the *Price Law of the People's Republic of China*;⁵⁴ and
- identification of any GOC initiatives and/or policies that affect the zinc coated (galvanised) steel and aluminium zinc coated steel industry, including raw materials used in its manufacture.

The GOC did not provide a response to this questionnaire.

In assessing whether a market situation exists in relation to the Chinese zinc coated (galvanised) steel and aluminium zinc coated steel markets in the review period, the Commission has relied on all the evidence available to it, including questionnaires and submissions made in this review, findings of previous cases conducted by the Commission and desktop research.⁵⁵ In light of all the information before the Commission, it is the Commission's view that a particular market situation existed in respect of the domestic market for zinc coated (galvanised) steel and aluminium zinc coated steel in China for the review period.

The Commission's reasoning and evidence relied on for this finding is set out in **Appendix A**.

4.4 Proper comparison of Chinese domestic and export prices to Australia

Where a particular market situation is found, pursuant to section 269TAC(2)(a)(ii), the Commission must also consider whether, because of the situation in the Chinese market, sales of

⁵⁴ *Price Law of the People's Republic of China*, National People's Congress, Order no. 92, 1 May 1998.

⁵⁵ Refer to Appendix A of this SEF for further information.

zinc coated (galvanised) steel and aluminium zinc coated steel in China are not suitable for determining a price under section 269TAC(1).

4.4.1 Proper comparison framework

In order to undertake its assessment of whether sales are “suitable” for the purposes of section 269TAC(1), the Commission’s proper comparison framework considers the relative effect of the market situation on both the Chinese domestic sales and the Australian export sales. If there is a finding that domestic sales and export sales are not equally impacted by the market situation, such a finding may render domestic sales not “suitable” for the purposes of section 269TAC(1).

When assessing the relative effect of the particular market situation on domestic and export prices, the Commission has examined:

- the relationship between HRC costs and zinc coated (galvanised) steel and aluminium zinc coated steel prices (domestic and Australian export prices – where available⁵⁶) for each relevant Chinese zinc coated (galvanised) steel and aluminium zinc coated steel producer;
- the domestic market conditions (the particular market situation) that create those costs and prices; and
- export market conditions.

The Commission considers that the relationship between cost, price and competition will provide insight into the effect and impact of the market situation in Chinese and Australian zinc coated (galvanised) steel and aluminium zinc coated steel markets. In turn, this will provide insight into whether a proper comparison is permitted between Chinese domestic zinc coated (galvanised) steel and aluminium zinc coated steel prices and their corresponding Australian export prices.

In particular, the Commission undertook:

1. a *quantitative* assessment of prices, noting that “...a purely numerical comparison between the two prices may not reveal anything about whether the domestic price can be properly compared with the export price”,⁵⁷ and
2. a *qualitative* assessment of prices, to “...focus on how the particular market situation affects that comparison.”⁵⁸

This approach assesses both the effect and impact of the particular market situation on domestic and export prices. This is because while “...a particular market situation may have an effect on both domestic and export prices, it does not follow that the impact on domestic and export prices will be the same.”⁵⁹

⁵⁶ The Commission’s market situation analysis and proper comparison assessment uses verified data from cooperating exporters, Dongbu, Chung Hung, CSV, Prosperity and Yieh Phui. This is on the basis that these exporters are from markets (Korea, Taiwan and Vietnam) that are characterised by a number of producers, buyers and sellers of HRC in an environment which, based on the evidence available, are free from distortions caused by government or other interference.

⁵⁷ DS 529 – para. 7.75.

⁵⁸ DS 529 – para. 7.75.

⁵⁹ DS 529 – para. 7.76.

4.4.2 Whether the particular market situation has the same effect on domestic and export prices

The Commission's analysis in **Appendix A, Confidential Attachment 1** and **Confidential Attachment 2** demonstrates that Chinese zinc coated (galvanised) steel and aluminium zinc coated steel producers do not operate under normal competitive market conditions in respect of their costs or their prices. The Commission has examined what effect this has on zinc coated (galvanised) steel and aluminium zinc coated steel price-setting between the Chinese domestic and Australian export markets.

4.4.3 Effect on zinc coated (galvanised) steel and aluminium zinc coated steel domestic prices and relationship between price and cost

The Commission considers that, in the Chinese domestic market, Chinese zinc coated (galvanised) steel and aluminium zinc coated steel producers operate under market conditions which differ from those of exporters in other subject countries, and that of the Australian industry. Specifically, the market situation in China reduces production and selling risks for producers and reduces input costs across all production. This lowers zinc coated (galvanised) steel and aluminium zinc coated steel prices throughout the market, such that prices reflect the lowered marginal cost of the HRC input. In this way, the market situation directly affects zinc coated (galvanised) steel and aluminium zinc coated steel prices, respectively.

This relationship between domestic selling price and cost defines the conditions of competition in China. The effect of the market situation on the domestic sales prices in China does not result in any competitive advantages or disadvantages between domestic producers selling in the domestic market. In other words, it modifies the conditions of competition in a consistent manner for all market participants in China. The market situation has a neutral effect on competition between Chinese zinc coated (galvanised) steel and aluminium zinc coated steel suppliers in their domestic market.

As a consequence, the Commission considers that Chinese manufacturers have less flexibility with respect to price setting for zinc coated (galvanised) steel and aluminium zinc coated steel sales in the domestic Chinese market.

4.4.4 Effect on export prices and relationship between price and cost in Australia

The Commission considers that the effect of the market situation on Chinese export prices to Australia and the relationship between those export prices and cost is materially different.

In Australia, competitive zinc coated (galvanised) steel pricing prevails at a higher level because HRC costs are higher for Australian zinc coated (galvanised) steel producers and for producers in countries other than China that export zinc coated (galvanised) steel to Australia. The market situation in China that results in low HRC costs does not materially affect the HRC costs and zinc coated (galvanised) steel of these producers. This results in Australian zinc coated (galvanised) steel prices and zinc coated (galvanised) steel export prices into Australia from Korea, India, Taiwan and Vietnam that are higher than domestic prices in China (when compared at the same level of trade).⁶⁰ In this way, the relationship between zinc coated (galvanised) steel price and cost is different in the Australian market and for Chinese export prices selling in that market.

⁶⁰ The Commission notes that there was no export of zinc coated (galvanised) steel from Malaysia during the current review period. While there is no cooperating exporter from India, CRE data show there are imports of zinc coated (galvanised) steel from India during the review period.

Similarly, in Australia, competitive aluminium zinc coated steel pricing prevails at a higher level because HRC costs are higher for Australian aluminium zinc coated producers. The market situation in China that results in low HRC costs does not materially affect the HRC costs and aluminium zinc coated steel prices of Australian producers. This results in Australian aluminium zinc coated steel prices that are higher than domestic prices in China (when compared at the same level of trade). In this way, the relationship between aluminium zinc coated steel price and cost is different in the Australian market.⁶¹

This difference in the relationship between price and cost, and the different effect of the market situation on export prices, confers competitive advantages on Chinese exporters selling both zinc coated (galvanised) steel and aluminium zinc coated steel in the Australian market.

In doing so, this confers corresponding disadvantages on Australian producers and other suppliers to the Australian market. Specifically, Chinese exporters have a cost/price advantage that zinc coated (galvanised) steel producers (from Australia and other countries) and aluminium zinc coated steel producers (from Australia) do not. This may manifest in two ways:

1. an increased profit margin at the prevailing level of competitive pricing in the Australian market; and/or
2. a low export price that undercuts the prevailing level of competitive pricing in the Australian market.

As a consequence, the Commission considers that the effect of the market situation on export prices (and on the relationship between export price and cost) is materially different to the effect the market situation has on domestic prices (and on the relationship between domestic price and cost), with respect to zinc coated (galvanised) steel and aluminium zinc coated steel producers.

4.4.5 Comparison

The pricing data confirms the above differences in the effects of the market situation on domestic and export prices.

Analysis conducted by the Commission shows that Chinese exporters' pricing during the review period has different characteristics. As detailed above, the difference in the relationship between price and cost, and the different effect of the market situation on export prices, provides Chinese exporters with competitive advantages when selling to Australia. Due to the market situation, Chinese exporters' costs are lowered and they therefore have more options in that they can either sell at low prices to undercut, depress or suppress prices in the Australian market (should exporters sell to Australia), or can set prices in line with prices from competitive markets and thereby achieve greater profits. This confirms that the effect of the market situation on Chinese domestic and export prices is materially different. In comparison, these price setting options may not be readily available to the exporters operating in competitive markets when selling to Australia.

The Commission has undertaken a proper comparison assessment for cooperating Chinese exporters below, in the context of ascertaining the relevant variable factors.

⁶¹ The Commission notes that with respect to aluminium zinc coated steel, a comparison was made only with Australian prices because there was no aluminium zinc coated steel exporters from other countries as China was the only subject country, as a result, the Commission did not have sufficient information to make a similar comparison with those exporters.

4.4.6 Cooperating Chinese exporters

For these two reviews, there were 3 cooperating exporters from China in relation to zinc coated (galvanised) steel and 2 cooperating exporters from China in relation to aluminium zinc coated steel.

4.4.6.1 Zinc coated (galvanised) steel

Dingxin

Dingxin sold prime zinc coated (galvanised) steel domestically and to Australia during the review period. The Commission has therefore compared Dingxin's domestic prices with its Australian export prices in the review period.

The Commission observes that Dingxin's domestic and export prices are substantially different, although there is no difference in CTM for domestic and export sales. This appears to reflect the different price-setting conditions resulting from the particular market situation. Dingxin appears able to exercise substantial price discrimination in the Australian export market. The Commission considers that the particular market situation in China creates advantages and disadvantages between Chinese and non-Chinese competitors, enabling Dingxin to achieve prices that are higher than those it can achieve in the domestic market.

The Commission's analysis shows that Dingxin also benefits from lower HRC input costs.

The Commission considers that the particular market situation gives Dingxin the ability to seek greater profits at lower risk on its exports to Australia and undercut the prices of other market participants. This demonstrates that the particular market situation provides Dingxin with competitive advantages that disadvantage other market participants, altering the conditions of competition in Australia.

Accordingly, the Commission considers that, because of the particular market situation, Dingxin's domestic sales of zinc coated (galvanised) steel do not permit a proper comparison with its export prices to Australia. In turn, the Commission considers that because of the particular market situation its domestic sales are not suitable for establishing its normal value under section 269TAC(1).

The Commission's calculations supporting its proper comparison assessment and HRC cost comparison is at **Confidential Attachment 3** and **Confidential Attachment 4** respectively.

Hongshun and Zongcheng

Hongshun sold prime zinc coated (galvanised) steel while Zongcheng sold prime and not prime zinc coated (galvanised) steel in the Chinese domestic market, but neither entity exported these goods to Australia during the review period.

The Commission's analysis shows that Hongshun and Zongcheng also benefit from lower HRC input costs. The Commission analysed Hongshun and Zongcheng's domestic zinc coated (galvanised) steel prices and found that these domestic sales are consistent to each other and to Dingxin's domestic prices, albeit Hongshun's domestic sales only occurred in one quarter.

Accordingly, the Commission considers that Hongshun and Zongcheng to be impacted by the market situation in China which would allow it the same price setting flexibility in the Australian market as other Chinese exporters (had it exported). Although both of these exporters did not

export to Australia during the review period, the market situation would permit Hongshun and Zongcheng to exercise price discrimination in a way that competitive market participants cannot.⁶²

The Commission considers that the particular market situation confers on Hongshun and Zongcheng an advantage should it decide to export the goods to Australia, being the ability to sell the goods at lower risk to Australia and potentially undercut the prices of other market participants. The Commission considers that, because of the particular market situation, Hongshun and Zongcheng's domestic sales of zinc coated (galvanised) steel do not permit a proper comparison with export prices to Australia. In turn, the Commission considers that because of the particular market situation, its domestic sales are not suitable for establishing its normal value under section 269TAC(1).

The Commission's calculations supporting its proper comparison assessment and HRC cost comparison is at **Confidential Attachment 3** and **Confidential Attachment 4** respectively.

4.4.6.2 Aluminium zinc coated steel

Huada and Zongcheng

Huada sold prime aluminium zinc coated steel while Zongcheng sold prime and not prime aluminium zinc coated steel in the Chinese domestic market. Huada did not export these goods to Australia during the review period, while Zongcheng exported a low volume of prime aluminium zinc coated steel to Australia during the review period.

The Commission's analysis shows that Huada and Zongcheng also benefit from lower HRC input costs. The Commission analysed Huada and Zongcheng's domestic aluminium zinc coated steel prices and found that these domestic sales are comparable with each other.

Accordingly, the Commission considers that Huada and Zongcheng to be impacted by the market situation in China which would allow it the same price setting flexibility in the Australian market as other Chinese exporters (had it exported). Although both of these exporters either exported no or low volumes of the goods to Australia, the market situation would permit Huada and Zongcheng to exercise price discrimination in a way that competitive market participants cannot.⁶³

The Commission considers that the particular market situation confers on Huada and Zongcheng an advantage should it decide to export the goods to Australia, being the ability to sell the goods at lower risk to Australia and potentially undercut the prices of other market participants. The Commission considers that, because of the market situation, Huada and Zongcheng's domestic sales of aluminium zinc coated steel do not permit a proper comparison with export prices to Australia. In turn, the Commission considers that because of the particular market situation, its domestic sales are not suitable for establishing its normal value under section 269TAC(1).

The Commission's calculations supporting its proper comparison assessment and HRC cost comparison is at **Confidential Attachment 3** and **Confidential Attachment 4** respectively.

⁶² Noting that the most relevant and reliable information available to the Commission to determine the price at which Hongshun and Zongcheng would likely export the goods to Australia is Hongshun's ascertained normal value (Section 269TAB(3)) and Zongcheng's previous exporter price after an adjustment (Section 269TAB(2B)(a)).

⁶³ Noting that the most relevant and reliable information available to the Commission to determine the price at which Hongshun and Zongcheng would likely export the goods to Australia is Hongshun's ascertained normal value (Section 269TAB(3)) and Zongcheng's previous exporter price after an adjustment (Section 269TAB(2B)(a)).

4.5 Applicable legislation, policy and practice

Where the Minister is satisfied that a normal value cannot be determined under section 269TAC(1), section 269TAC(2)(c) provides that the normal value is:

(c)... the sum of:

- (i) such amount as the [Minister] determines to be the cost of production or manufacture of the goods in the country of export; and
- (ii) on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export—such amounts as the [Minister] determines would be the administrative, selling and general costs associated with the sale and the profit on that sale

As required by sections 269TAC(5A) and 269TAC(5B), the construction of normal values under section 269TAC(2)(c) is required to be undertaken in accordance with the *Customs (International Obligations) Regulation 2015* (the Regulation).

To determine costs of manufacture or production in relation to constructing normal values, section 43(2) of the Regulation requires that, if:

- an exporter or producer of the goods keeps records relating to the goods that are in accordance with generally accepted accounting principles (GAAP) in the country of export; and
- those records reasonably reflect competitive market costs associated with the production or manufacture of the goods;

the Minister must work out the cost of production or manufacture using the information set out in the exporter or producer's records.

Where an exporter's records are otherwise in accordance with GAAP and are reliable, but the records do not reasonably reflect competitive market costs associated with the production or manufacture of the goods, it is open for the Minister, if practicable, to adjust the records so that they reasonably reflect competitive market costs associated with the production or manufacture of the goods in the country of export.⁶⁴ When making such adjustments, the Minister may have regard to all relevant information.

4.5.1 Exporters' costs of production

The Commission established during verification activities that the records of the cooperating Chinese exporters relating to the goods have been kept in accordance with GAAP in the country of export and reasonably reflect the costs associated with the production and sale of the goods.⁶⁵

However, the Commission's view is that, due to the influence of the GOC in domestic steel markets generally and HRC specifically, the exporters' records do not reasonably reflect competitive market costs for the production or manufacture of the goods. Specifically, the Commission considers that HRC costs in China, which make up a major proportion of the total costs of production of zinc coated (galvanised) steel and aluminium zinc coated steel, are distorted by GOC influence and do not reasonably reflect competitive market costs associated with the production or manufacture of the goods, pursuant to section 43(2)(b)(ii) of the Regulation.

⁶⁴ See *Steelforce Trading Pty Ltd Parliamentary Secretary to the Minister for Industry, Innovation and Science* [2018] FCAFC 20 [108]–[109] (Perram J).

⁶⁵ The basis for this assessment in respect of individual exporters is contained in the verification reports at EPR 521 document nos. 19, 36 and 40 and EPR 522 document nos. 14 and 15.

The result of these distortions is that the cost of HRC in China is not a normal or ordinary cost associated with the production of zinc coated (galvanised) steel and aluminium zinc coated steel.

Accordingly, the Commission considers it appropriate that HRC relating to the costs of production in the exporters' records be adjusted to reflect competitive market costs and that the method outlined below be applied in making such adjustments.

The Commission notes that, in accordance with section 269TAC(3A), the Minister is not required to consider working out the normal value of goods under section 269TAC(2)(d) before working out the normal value of goods under section 269TAC(2)(c). Where section 269TAC(1) is not available, the Commission's policy preference, as outlined at chapter 10 of the Manual, is to construct normal values under section 269TAC(2)(c), in the first instance, when cost data of exporters is available.

Consequently, the Commission has constructed normal values under section 269TAC(2)(c), and has done so in accordance with sections 43, 44 and 45 of the Regulation.

4.5.2 Basis of HRC benchmark and cost adjustment methodology

The Commission has considered all relevant information, including the HRC purchases of individual Chinese exporters, and considers it appropriate to use the exporters' records, but only after an adjustment is made to the records relating to the costs of HRC. Such an adjustment ensures that each exporter's records reflect competitive market costs. That is, the cost of production in China absent the market situation, which required the use of constructed normal values. Consistent with this approach, the Commission has not used the HRC input costs for Chinese exporters on the basis they were not normal competitive market costs. In doing so, it is open to the Commission to consider the individual circumstances of each exporter's purchases of HRC and, to the greatest extent possible, ensure that the exporter's adjusted records reflect costs that would be incurred in China without the distortion resulting from the influence of the GOC.

4.5.2.1 Purchases of HRC as a relevant competitive cost adjustment

In relation to zinc coated (galvanised) steel, out of the 8 cooperating exporters, only Chung Hung is an integrated producer who manufactured HRC from slab. Chung Hung also purchased HRC for the production of zinc coated (galvanised) steel. In relation to aluminium zinc coated steel, there was no integrated producer. That is, each exporter (including Chung Hung) purchased finished coil from an external seller in order to manufacture zinc coated (galvanised) steel or aluminium zinc coated steel in which HRC prices paid by cooperating zinc coated (galvanised) steel and aluminium zinc coated steel are inclusive of the full cost of production, the selling, general and administrative (SG&A) costs and the profit of the entity selling the HRC.

In consideration of the aforementioned factors, the Commission considers that finished coil is the appropriate level to establish the benchmark.⁶⁶

4.5.2.2 HRC purchases by zinc coated (galvanised) steel producers in Korea, Taiwan and Vietnam

Consistent with the adjustment method followed in REP 190 and subsequent cases (including, most recently, REP 456 & 457), the Commission has used the onsite verified HRC purchases in

⁶⁶ During verification, the Commission found the total costs for HRC produced from slab against the costs of HRC that is purchased to be negligible. Therefore, no adjustments have been made as the price of finished coil prices are not affected by whether the exporter purchases HRC or produces its own HRC from slab.

this review period from cooperating zinc coated (galvanised) steel exporters in Korea, Taiwan and Vietnam.⁶⁷

The Commission considers that the verified cooperating exporters in Korea, Taiwan and Vietnam purchased HRC in competitive markets, because those markets possess the following characteristics:

- the Commission has not previously found that there is a particular market situation in these steel markets;
- HRC purchases from cooperating exporters demonstrate that HRC is sourced (to varying degrees) domestically and/or from import supply. This suggests that zinc coated (galvanised) steel producers in these markets make purchasing decisions based on price and availability, regardless of source, such that;
- HRC producers and sellers must compete against domestic and foreign firms to sell HRC to zinc coated (galvanised) steel producers.

The Commission has excluded Chinese originating HRC, and HRC from other unknown sources, from its calculation of competitive HRC costs, so as to minimise the risk that these costs have also been impacted by GOC influence.

4.5.2.3 Using HRC purchases from zinc coated (galvanised) steel producers in Korea, Taiwan and Vietnam to compare HRC purchases from aluminium zinc coated steel producers in China

As China is the only subject country in relation to aluminium zinc coated steel (Review no. 522), there is no data regarding HRC purchases that is readily available from aluminium zinc coated steel exporters from other competitive markets.

The Commission understands that aluminium zinc coated steel is produced in a similar manner to zinc coated (galvanised) steel in that they both use HRC as the primary raw material input. The Commission found that HRC constitutes almost an equivalent proportion of the total production cost (refer Table 29 below). The Commission also understands that the production process to manufacture zinc coated (galvanised) steel and aluminium zinc coated steel utilises similar manufacturing techniques and production equipment, and there is overlap between the end use and markets into which the goods may be sold.

For these reasons, and in the absence of specific information relating to aluminium zinc coated steel from exporters in competitive markets, the Commission considers the verified HRC purchases of cooperating exporters of zinc coated (galvanised) steel in Korea, Taiwan and Vietnam in Review no. 521 is the best available information before it to use as the basis for the cost adjustment with respect of aluminium zinc coated steel.

As such, the Commission has used the verified HRC purchases of cooperating exporters of zinc coated (galvanised) steel in Korea, Taiwan and Vietnam as the basis for the cost adjustment for aluminium zinc coated steel.

4.5.2.4 Comparative advantage and disadvantage

The Commission has considered whether it is appropriate to make an adjustment to the competitive benchmark to reflect any comparative advantages and disadvantages experienced by

⁶⁷ Based on the exporter's circumstances, either an EXW or delivered HRC cost replacement benchmark was applied. Where appropriate, scrap and conversion costs were applied after the HRC cost replacement as relevant to each exporter's circumstances.

the domestic Chinese producers. The Commission considers that for any such adjustment to the benchmark, the Commission would need to:

- identify and quantify what the true, uninfluenced comparative advantage of the domestic Chinese market is, distinct from any advantages which are a result of the GOC influence;
- identify and quantify the comparative disadvantages of the Chinese domestic market; and
- only adjust for those 'true' comparative advantages and disadvantages.

This would necessarily result in a determination of a 'net' figure in the form of an adjustment.

Noting the complexity and extent of the GOC influence in steel markets generally, and the HRC market specifically, the Commission presently considers that it is not possible to isolate and quantify a 'net' amount of comparative advantage (or disadvantage) enjoyed by Chinese domestic producers, using the information before it.

The Commission considers an adjustment for comparative advantage (or disadvantage) is not practicable or reasonable.

4.5.2.5 Calculation of the HRC cost adjustment

The Commission has developed an HRC cost benchmark using verified data from Review 521. The Commission has relied on the verified domestic HRC purchase costs from the review period available.

Following the verification and publication of verification reports, the Commission reviewed the cost replacement calculations that were sent to each of the cooperating Chinese exporters. This review resulted in a change to the inclusion of verified data. Initially, the cost replacement benchmark was completed based on data from the two onsite verified cooperating exporters of zinc coated (galvanised) steel in Korea and Taiwan, being Dongbu and Yieh Phui.

However, upon further consideration, the Commission has now included the verified HRC cost of Chung Hung, Prosperity and CSVN as well. These entities were not originally included in the benchmark because, at that time, their data had not been verified by the Commission.

The Commission has now verified the data and consider that it is preferable to use information from all three markets (Korea, Taiwan and Vietnam) to calculate a HRC cost replacement benchmark. This is because these markets are characterised by a number of producers, buyers and sellers of HRC in an environment which, based on the evidence available, are free from distortions caused by government or other interference.⁶⁸

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 adjusted by the difference between the price actually paid by them for that product and the price of the comparable competitive market benchmark.

⁶⁸ It is noted in REP 370 in relation to zinc coated (galvanised) steel exported to Australia, the Commission found there was no particular market situation in Vietnam. In June 2020, the Commission initiated an investigation into the export of aluminium zinc coated steel to Australia from Korea, Taiwan and Vietnam. The applicant in that application alleged that there is a particular market situation in Vietnam. This investigation is still ongoing and no finding has yet been made. As part of its REQ, CSVN provided a HRC purchases listing which showed that majority of CSVN's HRC purchases during the recent review period were not purchased from its domestic market in Vietnam.

The Commission's competitive HRC cost adjustment for HRC is contained at **Confidential Attachment 5**.

4.6 Variable factors: Zinc coated (galvanised) steel

4.6.1 Dingxin (China)

The Commission conducted onsite verification of the data submitted by Shandong Guanzhou Dingxin Plate Technology Co., Ltd (Dingxin) and Guanxian Lianhao Metal Material Co., Ltd (Lianhao) in their REQs concerning zinc coated (galvanised) steel.

The verification concluded:

- (a) Dingxin, during the review period, manufactured zinc coated (galvanised) steel and sold it to Australia through Lianhao, a related trading company;
- (b) At the start of the review period, Dingxin sold the goods to Lianhao who paid for the goods after on-selling them but this changed during the review period, when Lianhao paid Dingxin to manufacture goods on its behalf. Lianhao provided the raw material for these transactions. Further Dingxin and Lianhao share the same:
 - (i) management and sales team;
 - (ii) operating premises;
 - (iii) operation and accounting system; and
 - (iv) accounts team.
- (c) Dingxin regulate production and production planning of the goods; and
- (d) Dingxin is aware of all price negotiations between Lianhao and its customers.

Based on the data verified by the Commission, the Commission is satisfied that Dingxin is the producer of the subject goods and that the information provided by Dingxin (and Lianhao) is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods. Further details are presented below.

A report covering the verification findings⁶⁹ is available on the public record.⁷⁰

4.6.1.1 Export price

As noted above, in relation to the goods exported to Australia:

- Dingxin manufactured the goods and is located in the country of export;
- Lianhao organised for transportation of the goods to the port of export;
- Lianhao paid for the port handling charges;
- Lianhao transacted with the sole Australian importer who purchased the goods during the review period; and

⁶⁹ As noted in Dingxin's verification report, as the Commission was not satisfied that the allocation was based on actual consumption, Dingxin agreed that the total raw material cost would be used for the purpose of any costs replacement.

⁷⁰ EPR 521 document no. 019.

- Both Dingxin and Lianhao had knowledge that the goods were destined for Australia.

As such, the Commission considers that in relation to those goods exported to Australia in the review period, Dingxin was the exporter of the goods and Lianhao acted as an intermediary in relation to those sales.⁷¹

In respect of the Australian sales of the goods during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁷²

The Commission therefore considers that all export sales to Australia made by Lianhao during the period were arms length transactions.

As the Australian sales of the goods are not between the exporter and the importer, the export price cannot be determined under sections 269TAB(1)(a) or (b). The export price has been calculated under section 269TAB(1)(c), having regard to all the circumstances of the exportation. As Lianhao did not include any additional profit or SG&A expenses in the invoice price with the Australian importer, the export price remains the price paid by the importer, less transport and other costs arising after exportation.⁷³

4.6.1.2 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 values under section 269TAC(1). The Commission has therefore constructed normal values under section 269TAC(2)(c) and, as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Section 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, 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 4.5.2 of this SEF, the Commission has determined that the costs relating to purchases of HRC during the review period contained in the exporter's records do not reflect competitive market costs. The Commission has applied a cost replacement by reference to the benchmark discussed in section 4.5.2 of this SEF and in accordance with the Regulation as described above.

⁷¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁷² Section 269TAA.

⁷³ After further consideration, the Commission has determined that Dingxin's exporter price shall be determined under section 269TAB(1)(c) – this is a change from section 269TAB(1)(a) published in Dingxin's verification report.

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

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

4.6.1.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|------------------------------|--|
| Domestic rebates | Deduct an amount for domestic rebates |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port handling charges |
| Export bank charges | Add an amount for export bank charges |

Table 15: Summary of adjustment - Dingxin - zinc coated (galvanised) steel

4.6.1.4 Dumping margin

The Commission has calculated a dumping margin in respect of the goods exported to Australia by the exporter during the review period. The margin is **negative 12.6 per cent**.

This is a change from the negative 13.4 per cent dumping margin as reviewed by Dingxin previously.⁷⁴

The Commission's calculations are included at **Confidential Attachment 6**.

4.6.2 Hongshun (China)

The Commission verified the data submitted by Hongshun in its REQ concerning zinc coated (galvanised) steel by comparing the data submitted against other exporters from China for the same goods. Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Hongshun is the exporter of the subject goods and that the information provided by Hongshun concerning zinc coated (galvanised) steel was reliable for the purposes of ascertaining variable factors.

The Commission notes that there is a tolling arrangement in place between Hongshun and Dingxin where Hongshun provides HRC (the raw material) it has purchased to Dingxin to manufacture into the finished goods (zinc coated (galvanised) steel).

⁷⁴ This change in Dingxin's dumping margin was due to the revised HRC cost benchmark as outlined at Section 4.5.2.5 of this report.

Although Hongshun did not export any volume of zinc coated (galvanised) steel to Australia during the review period, the Commission considers Hongshun as the principal in the transaction, were the goods to be shipped to Australia.⁷⁵

Further, based on the information available, the Commission notes that Hongshun retains ownership of the goods. In comparison, Dingxin, although manufactured the goods, does not exert any influence or control over the goods, and operates purely on a tolling/processing fee basis. In the period assessed by the Commission, Hongshun sourced and prepared the primary raw material to the manufacture of the goods and also paid auxiliary material costs and manufacturing overheads. Hongshun also organised sales of these goods in the domestic market. The Commission considers this reasonably reflects the nature of the activities actually undertaken by Hongshun, and the commercial risk borne by it, should the goods be exported to Australia.

The Commission therefore is of the view that Hongshun is the exporter of the goods under consideration, were the goods to be shipped to Australia.

A report covering the verification findings is available on the public record.⁷⁶

4.6.2.1 Export price

It is the Commission's view that the application of section 269TAB(1) would require Hongshun to have exported the goods to Australia during the review period. Hongshun did not export any volume of zinc coated (galvanised) steel 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;⁷⁷ or
- the price at which the goods were sold by the importer in Australia less prescribed deductions;⁷⁸ or
- the price having regard to all the circumstances of the exportation.⁷⁹

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

The Commission notes the explanatory memorandum to the Custom Amendment (*Anti-Dumping Measures*) Bill 2017 (Explanatory Memorandum)⁸⁰ 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 section 269TAB(3) despite the methods in new section 269TAB(2B) [of the Act].

⁷⁵ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁷⁶ EPR 521 document no. 040.

⁷⁷ Section 269TAB(1)(a).

⁷⁸ Section 269TAB(1)(b).

⁷⁹ Section 269TAB(1)(c).

⁸⁰ Customs Amendment (Anti-Dumping Measures) Bill 2017, Explanatory Memorandum: C2017B00205.

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 Hongshun, the Commission considers Hongshun not to be a 'low volume' exporter as defined in section 269TAB(2A). Therefore, the Commission considers it appropriate that the export price, for the purposes of this review, be determined under section 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 Hongshun, having not yet exported zinc coated (galvanised) steel to Australia, has not been found to have dumped the goods in Australia, therefore the ascertained normal value of like goods sold in the domestic market by Hongshun is the most relevant and reliable information available to determine Hongshun's ascertained export price.

4.6.2.2 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 values under section 269TAC(1). The Commission has therefore constructed normal values under section 269TAC(2)(c) and, as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Section 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, 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 4.5.2, the Commission has determined that the costs relating to purchases of HRC during the review period contained in Hongshun's records do not reflect competitive market costs. The Commission has applied an adjustment in Hongshun's HRC cost using the benchmark as discussed in section 4.5.2 and in accordance with the Regulation as described above.

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

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

4.6.2.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|------------------------------|---|
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port charges |
| Export other costs | Add an amount for other costs |

Table 16: Summary of adjustment – Hongshun - zinc coated (galvanised) steel

4.6.2.4 Dumping margin

As detailed above, noting that Hongshun did not export the goods to Australia under consideration during the review period, the ascertained export price has been determined under section

269TAB(3) having regard to all relevant information, being equal to the normal value. As such the dumping margin is not applicable. A variable component of IDD may be applicable where the actual export price is below the ascertained normal value.

The Commission's calculations are included at **Confidential Attachment 7**.

4.6.3 Zongcheng (China)

The Commission compared Zongcheng's data in its REQ against another Chinese exporter, Dingxin (who was subject to an onsite verification in relation to zinc coated (galvanised) steel). The Commission also compared Zongcheng's data to its own data concerning a similar product, aluminium zinc coated steel. Zongcheng's data for aluminium zinc coated steel was subject to a desktop verification for the same review period.⁸¹

Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Zongcheng is the producer of the subject goods and that the information provided by Zongcheng concerning zinc coated (galvanised) steel was reliable for the purposes of ascertaining variable factors.

A report covering the verification findings is available on the public record.⁸²

4.6.3.1 Export price

Zongcheng did not export any volume of zinc coated (galvanised) steel to Australia during the review period. Zongcheng did, however, export zinc coated (galvanised) steel to Australia during the previous review period, which was used in the calculation of a dumping margin for Review no. 457.

The Commission considers that there is insufficient information to ascertain the export price of the goods under section 269TAB(1) due to an absence of export volume during the review period. The Commission has therefore considered whether the requirements of section 269TAB(2A) have been met, and whether Zongcheng's export price should be determined under section 269TAB(2B).

For Zongcheng to be considered a low or no volume exporter in accordance with section 269TAB(2A), the Minister must have regard to (i) previous volumes of exports by that exporter, (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.⁸³ The Commission has considered these elements as follows.

Previous volumes of exports of those goods to Australia by Zongcheng – section 269TAB(2A)(b)(i)

Zongcheng exported zinc coated (galvanised) steel to Australia from China during the periods examined in Review No. 365 (1 July 2015 to 30 June 2016) and Review No. 457 (1 October 2016 to 30 September 2017). Zongcheng did not export the goods to Australia during the current review period (between July 2018 and June 2019).

⁸¹ Refer to section 4.5.2 of this SEF for details of the findings made in relation to Zongcheng's verification for aluminium zinc coated steel for Review No. 522.

⁸² EPR 521 document no. 036.

⁸³ Section 269TAB(2A)(b).

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

The Commission examined the patterns of trade for like goods by comparing exports from other exporters in China, and from other countries. The Commission also compared these patterns with those of Zongcheng to determine if changes in its export volume reflect broader market trends.

This examination indicates that, despite a decline in imports of zinc coated (galvanised) steel from Zongcheng, demand for zinc coated (galvanised) steel persists in the Australian domestic market generally, and there does not appear to have been a marked decline in the overall volume of zinc coated (galvanised) steel exports to Australia. The Commission therefore considers that the absence of exports from Zongcheng 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 for like goods that are not within the control of the exporter – section 269TAB(2A)(b)(iii)

The Commission notes the Explanatory Memorandum identifies factors that may affect patterns of trade for like goods not within the control of the exporter.⁸⁴ Such factors may include supply disruptions or natural events (such as flood, drought, or fire) that affect production levels.

The Commission found that Zongcheng manufactured and sold like goods on the domestic market and to third countries during the review period. The Commission also found there were no significant increase in the exports of the goods from other countries (not subject to measures) during the review period. The Commission therefore considers that this indicates that there do not appear to be any factors (such as natural events) that are not within the control of Zongcheng that are affecting trade for like goods.

4.6.3.2 Commission's consideration – section 269TAB(2A)

Having regard to the above, the Commission considers that, for Zongcheng, there is insufficient information to ascertain an export price due to no volume of exports to Australia. Zongcheng previously exported the goods to Australia in higher volumes and, despite the reduction in exports from Zongcheng, imports of zinc coated (galvanised) steel overall have not similarly declined. In addition, Zongcheng has not demonstrated that there are factors affecting the patterns of trade that are beyond its control. The Commission therefore considers it appropriate to ascertain an export price under section 269TAB(2B). Under this section 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 Zongcheng established in accordance with section 269TAB(1) for a decision of a kind mentioned in section 269TAB(2D);⁸⁵
- the price paid or payable for like goods sold by Zongcheng in arms length transactions for exportation from China to a third country determined by the Minister to be an appropriate third country;⁸⁶

⁸⁴ Page 31 of the Explanatory Memorandum.

⁸⁵ Section 269TAB(2B)(a) of the Act.

⁸⁶ Section 269TAB(2B)(b) of the Act.

- an export price for like goods exported to Australia from China by another exporter or exporters established in accordance with section 269TAB(1) for a decision mentioned in section 269TAB(2D).⁸⁷

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

Zongcheng's export price in the continuation inquiry (determined in REP 449) and review of measures (determined in REP 457) was established pursuant to section 269TAB(1). Notice of the decision under section 269ZHG(1) following REP 449 was published on 17 July 2018.⁸⁸ Therefore the Commission can determine the export price in accordance with section 269TAB(2B)(a).

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

The Commission found that during the review period Zongcheng sold like goods to a group of third countries.⁸⁹ The REQ provided information including export destinations, annual quantity, and total sales in renminbi. However, the Commission found that this data did not provide sufficient detail for use (e.g. lacking information regarding the date of sales and MCC, nor any information regarding export and handling costs) in determining the export price under section 269TAB(2B)(b).

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

The Commission also considered whether the export price could be determined under section 269TAB(2B)(c), based on the export price for like goods exported to Australia from the country of export by another exporter (or exporters) established in accordance with section 269TAB(1). However, the Commission's preference is to calculate a weighted average of export prices based on two exporters of the goods. For this review, only Dingxin's export price was determined under section 269TAB(1). Therefore, Zongcheng's export price has not been determined under section 269TAB(2B)(c).

4.6.3.3 Commission's consideration – section 269TAB(2B)

Having regard to the above, the Commission finds that ascertaining Zongcheng's export price under 269TAB(2B)(a) having regard to its previous export price established in accordance with section 269TAB(1) is the most appropriate as it reflects sales to Australia and utilises Zongcheng's own data.

Section 269TAB(2G) allows the Minister to make adjustments to the export price ascertained under section 269TAB(2B) to reflect what the export price would have been had there not been an absence of exports by Zongcheng. Such adjustments may include:

- adjustments due to exports relating to earlier times (timing adjustment);⁹⁰
- adjustments due to exports relating to not identical goods (specification adjustment);⁹¹

The Commission notes that global steel prices have moved since the last review period (i.e. 1 October 2016 to 30 September 2017). The Commission therefore considers that a timing

⁸⁷ Section 269TAB(2B)(c) of the Act.

⁸⁸ ADN 2018/96.

⁸⁹ Name and data of Zongcheng's third countries sales were provided to the Commission in their confidential REQ.

⁹⁰ Section 269TAB(2G)(a).

⁹¹ Section 269TAB(2G)(b).

adjustment is required to reflect what Zongcheng's export price would have been during the current review period. The Commission has used published steel pricing data from Platts, specifically the weighted average price of HRC for China for the period in Review No. 457 (weighted by Zongcheng's quarterly export volumes from that period) and compared it to the average price of the same index for the current review period. The Commission found that the ascertained export price for Zongcheng's exports of the goods has changed.

Zongcheng's export price calculations are at **Confidential Attachment 8**.

4.6.3.4 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 values under section 269TAC(1). The Commission has therefore constructed normal values under section 269TAC(2)(c) and, as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Section 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, 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 4.5.2, the Commission has determined that the costs relating to purchases of HRC during the review period contained in Zongcheng's records do not reflect competitive market costs. The Commission has applied an adjustment in Zongcheng's HRC cost using the benchmark as discussed in section 4.5.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under section 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 review period.

The Commission has calculated an amount for profit under section 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.

4.6.3.5 Adjustments

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

| Adjustment Type | Deduction/addition |
|--------------------------------------|---|
| Domestic packaging | Deduct an amount for domestic packaging |
| Export packing cost | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port charges |
| Export other costs | Add an amount for other costs |
| Non-refundable value added tax (VAT) | Add an amount for non-refundable VAT |

Table 17: Summary of adjustment – Zongcheng - zinc coated (galvanised) steel

4.6.3.6 Dumping margin

The Commission has calculated a dumping margin in respect of the goods under consideration (zinc coated (galvanised) steel) for Zongcheng for the period. The margin is **3.5 per cent**.

This is a change from the 3.6 per cent dumping margin published in Zongcheng's verification report.⁹²

The Commission's calculations are included at **Confidential Attachment 8**.

4.6.4 Dongbu (Korea)

The Commission conducted an onsite verification of the data submitted by Dongbu in its REQ concerning zinc coated (galvanised) steel. Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Dongbu is the producer of the subject goods and that the information provided by Dongbu is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

A report covering the verification findings is available on the public record.⁹³

4.6.4.1 Submissions regarding change of company name and commercial arrangements

Dongbu provided a submission to request that the rate applicable to Dongbu Steel Co., Ltd. now apply to KG Dongbu Steel Co., Ltd, the new name of the company.⁹⁴ This was due to the company being acquired by the KG Consortium during the review period (whereby the company became a member of the KG Group of companies).⁹⁵

In response, BlueScope submitted or requested the following:⁹⁶

- KG Dongbu Steel Co., Ltd is not a cooperative exporter and should be treated as a new exporter because it did not exist during the review period. It therefore could not have exported the goods to Australia and should be subject to the all other exporter rate;
- the Commission should review the relationship between Dongbu and KG Group for commercial arrangements that impact the subject goods;
- the Commission should consider finance costs which may have arisen from creditor arrangements and organisational restructure and which may impact the cost of the subject goods.

Dongbu (through its legal representatives) gave submissions in reply with accompanying business registration documents that said Dongbu remains the same legal entity and it has not made changes to its operations despite a change of name.⁹⁷

4.6.4.2 Commission's consideration

The Commission examined the documents provided by Dongbu in its submission,⁹⁸ and made some additional inquiries to Dongbu. The Commission found that at all relevant times both entities

⁹² This change in Zongcheng's dumping margin was due to the revised HRC cost benchmark as outlined at Section 4.5.2.5 of this report.

⁹³ EPR 521 document no. 023.

⁹⁴ EPR 521 document no. 032.

⁹⁵ The Commission refers to both Dongbu Steel Co., Ltd. and KG Dongbu Steel Co., Ltd as "Dongbu" unless otherwise indicated.

⁹⁶ EPR 521 document nos. 030 and 034.

⁹⁷ EPR 521 document no. 037.

⁹⁸ EPR 521 document nos. 032 and 037.

shared the same business registration number and business tax number. In addition Dongbu Steel Co., Ltd. was not deregistered as a corporation.

On 14 August 2020, the Commission also published a file note on the EPR to advise interested parties of all submissions received in relation to Dongbu's name change and the Commission's finding on this matter.⁹⁹ The Commission also advised that unless further evidence is presented to the Commission, by no later than 28 August 2020, the Commission will in due course amend the current Dumping Commodity Register for zinc coated (galvanised) steel on the Commission's website to reflect this change in name. No submission was received. The Dumping Commodity Register for zinc coated (galvanised) steel has been updated to reflect this change.

Based on the available information, the Commission considers Dongbu Steel Co., Ltd. and KG Dongbu Steel Co., Ltd to be the same corporate entity. As a result, KG Dongbu shall not be considered a new exporter. Furthermore, the Commission considers the verification of Dongbu's data remains relevant to the determination of the change in variable factors. The Commission has used Dongbu's data as verified by the Commission in the determination of variable factors and other relevant findings as outlined throughout this report and, in particular, the remainder of section 4.6.4 of this report.

In relation to BlueScope's claim regarding commercial arrangements between Dongbu and KG Group, the Commission did not find evidence of any commercial relationships (i.e. related party suppliers) that impact the subject goods. The Commission also assessed all costs relevant to the subject goods during the verification process and considers that all relevant costs have been attributed to the subject goods.

4.6.4.3 Export price

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

The Commission considers Dongbu is the exporter of the goods¹⁰⁰, as Dongbu is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- arranges and pays for the port handling charges at the port of export.

In respect of the Australian sales of the goods during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

⁹⁹ EPR 521 document no. 043.

¹⁰⁰ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.¹⁰¹

The Commission therefore considers that all export sales to Australia made by Dongbu during the period were arms length transactions.

The Commission is satisfied that for all Australian export sales during the review period:

- Dongbu is the exporter of the goods;
- the goods have been exported to Australia otherwise than by the importer; and
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions

Accordingly in respect all Australian export sales of the goods made by Dongbu during the review period, the Commission has determined the export price under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

4.6.4.4 Normal value

In respect of Dongbu's domestic sales of like goods to its unrelated and related customers during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The Commission is satisfied that all domestic sales of like goods made by Dongbu during the review period were arms length transactions.

The Commission has assessed the total volume of like goods (sold in arms length transactions in the OCOT) as a percentage of the goods exported to Australia for the whole period and found that the volume of sales was five per cent or greater.

The Commission is therefore satisfied that normal value can be ascertained under section 269TAC(1).

The Commission found that there were sufficient domestic sales volumes of identical MCCs made in the OCOT for 7 MCCs exported to Australia. For the other 2 MCCs exported to Australia, the Commission found there was an absence of identical MCCs sold on the domestic market, however, found sufficient domestic sales volumes of surrogate models based on MCCs with the closest physical characteristics under the MCC hierarchy structure. In relying on surrogate models, the Commission considered sales based specification adjustments, under 269TAC(8), are warranted to ensure fair comparison between the export models and surrogate domestic models.

¹⁰¹ Section 269TAA of the Act.

4.6.4.5 Adjustments

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

| Adjustment Type | Deduction/addition |
|--|---|
| Domestic credit terms | Deduct an amount for domestic credit |
| Domestic packaging | Deduct an amount for domestic packaging |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Domestic Warranty expense | Deduct an amount for warranty expense |
| Export packaging | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port charges |
| Export brokerage charge | Add an amount for export brokerage charge |
| Export bank charge | Add an amount for export bank charge |
| Export letter of credit (LC) notification charge | Add an amount for LC notification charge |
| Specification adjustment | Add or deduct an amount for specification differences |

Table 18: Summary of adjustment – Dongbu - zinc coated (galvanised) steel

4.6.4.6 Submissions regarding normal value and adjustments

BlueScope submits that the Commission should examine the exchange rates used by Dongbu where it imports feed material for the production of the goods.¹⁰² BlueScope contends that any foreign exchange losses on HRC and zinc purchases should be added to Dongbu's CTM (cost to make) for the OCOT test.

BlueScope submitted that a number of Dongbu's adjustments as outlined in Dongbu's verification report should be reconsidered by the Commission.¹⁰³ In the submission, BlueScope contends that:

- zinc coated (galvanised) steel for the export market would be shipped in containers and requested that the Commission review whether container costs are considered as part Dongbu's packing cost upward adjustment to the normal value;
- the downwards adjustment applied by the Commission for warranty expenses is not warranted because the warranty claims would not be limited to domestic sales only, and because warranty claims would be unsubstantiated in the current review on the basis that in a previous review of measures, Dongbu's warranty expense adjustment was not applied by the Commission; and
- an upwards adjustment to the normal value is warranted due to any foreign exchange losses incurred by Dongbu with respect to export sales of the goods to Australia.

4.6.4.7 Commission's consideration

The Commission assessed Dongbu's normal value adjustments, with consideration of the information provided by Dongbu, and BlueScope's submissions. The Commission requested

¹⁰² EPR 521 document no. 030.

¹⁰³ EPR 521 document no. 030.

additional information and clarification from Dongbu in relation to the matters of BlueScope's submission. The outcome of this assessment is noted below:

- With respect to containerisation of Dongbu's export sales of the goods, Dongbu did not incur any such container costs in the review period. The Commission reviewed Dongbu's packaging and handling costs and does not consider that any amendment to the upwards adjustments in relation to container costs is warranted.
- With respect to warranty expenses, the warranty expenses adjustment was assessed by the verification team for the current review. The verification team was satisfied that sufficient evidence was provided by Dongbu to warrant a downwards adjustment to the normal value for warranty expenses, including evidence of the value of the warranty expense. The verification team also found that there were no warranty expenses incurred on exports to Australia. The Commission subsequently sought clarification from Dongbu regarding its warranty expenses. Dongbu confirmed that while there was no warranty claim with respect to the subject goods sold to Australia in the review period, there was no difference between how a warranty claim would be processed between the export and domestic markets. While the warranty amount was small, nonetheless, the Commission is satisfied that there is sufficient and reliable information to justify a downwards adjustment for warranty claims.
- With respect to foreign exchange losses, the Commission's practice is to treat relevant foreign exchange gains and losses as SG&A in the calculation of CTMS, not as a direct selling expense which warrants an adjustment to the normal value. The Commission's practice is to make normal value adjustments under section 269TAC(8) or 269TAC(9), as relevant, where such an adjustment is required because it would affect price comparability. The Commission does not consider, nor has evidence been provided to demonstrate, that an adjustment to the normal value for foreign exchange gains or losses impacts price comparability. The Commission does not consider that an adjustment to the normal value is warranted in relation to foreign exchange gains or losses, and the Commission can confirm that Dongbu's relevant foreign exchange gains and losses were included in the SG&A calculation in accordance with the Commission's standard practice.

4.6.4.8 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 **negative 4.1 per cent**.

The Commission's calculations are included at **Confidential Attachment 9**.

4.6.5 **Chung Hung (Taiwan)**

The Commission verified the data submitted by Chung Hung in its REQ concerning zinc coated (galvanised) steel by comparing the data against another exporter from Taiwan for the same goods. The Commission also compared the data to Chung Hung's own data concerning for the same goods from a previous case that was subject to an onsite verification (Continuation inquiry No. 449 / Review No. 457). Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Chung Hung is the producer of the subject goods and that the information provided by Chung Hung concerning (galvanised) steel was reliable for the purposes of ascertaining variable factors.

The Commission notes that Chung Hung's export sales to Australia for the review period included goods for which an exemption under section 8 of the Dumping Duty Act has previously been granted. Accordingly, the dumping margin calculation included any goods which are subject to an exemption notice.

A report covering the verification findings is available on the public record.¹⁰⁴

4.6.5.1 Export price

The Commission considers Chung Hung is the exporter of the goods, as Chung Hung is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight and marine insurance.

In respect of Chung's sales of the goods to its Australian customers during the review period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.¹⁰⁵

The Commission therefore considers that all export sales to Australia made by Chung Hung to its Australian customers during the period were arms length transactions.

The Commission is satisfied that:

- Chung Hung is the exporter of the goods;
- the goods have been exported to Australia otherwise than by the importer;
- the purchases of the goods were arms length transactions; and
- the goods were purchased by the importer from the exporter.

Accordingly, in respect of Australian sales of the goods by, the Commission has determined the export price under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

4.6.5.2 Normal value

In respect of Chung Hung's domestic sales of like goods to its unrelated customers during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

¹⁰⁴ EPR 521 document no. 022.

¹⁰⁵ Section 269TAA of the Act.

The Commission is satisfied that all domestic sales made by Chung Hung to its unrelated domestic customers during the period were arms length transactions. There were no domestic related party sales during the period.

The Commission has assessed the total volume of like goods (sold in arms length transactions in the OCOT) as a percentage of the goods exported to Australia for the whole period and found that the volume of sales was five per cent or greater.

The Commission is therefore satisfied that normal value can be ascertained under section 269TAC(1).

4.6.5.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|-----------------------------------|---|
| Domestic packaging | Deduct an amount for domestic packaging |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Domestic warranty | Deduct an amount for domestic warranty |
| Domestic credit costs | Deduct an amount for domestic credit costs |
| Export packaging | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export handling and other charges | Add an amount for export handling and other charges |
| Export commission | Add an amount for export commission |
| Export other costs | Add an amount for other export costs |

Table 19: Summary of adjustment – Chung Hung - zinc coated (galvanised) steel

4.6.5.4 Submission

In its submission, BlueScope submits the following:¹⁰⁶

- the Commission consider whether there are related party transactions between Chung Hung and Hung Li for the purposes of assessing costs, normal values, ordinary course of trade, and export selling arrangements;
- the Commission consider whether different normal value adjustments are required for transport/freight for sales made from the Chung Hung (Chiao Tou District) and Hung Li (Xiaogang District) facilities;
- a downwards normal value adjustment for domestic warranties should be offset by a corresponding upwards adjustment for export sales;
- for foreign exchange losses on subject goods exports to Australia, an upwards adjustment to the normal value is required; and
- for foreign exchange losses on HRC, slab and zinc import purchases, these should be added to the CTM for the OCOT test.

The Commission has assessed BlueScope's claims and found that no changes to the dumping margin calculation are warranted. Specifically:

¹⁰⁶ EPR 521 document no. 038.

- The inclusion of transportation costs of the subject goods between Chung Hung and Hung Li had a negligible impact on Chung Hung's CTM and did not affect the OCOT test.
- No warranty claims were made in any of Chung Hung's Australian sales of the goods during the review period. Therefore, no adjustment for warranty in the export sales to Australia is required.
- The Commission's practice is to treat relevant foreign exchange gains and losses (i.e. not just losses) as SG&A expenses, thus foreign exchange gains and losses are included in the CTMS calculation. The Commission can confirm that Chung Hung's relevant foreign exchange gains and losses were included in the SG&A calculation in accordance with the Commission's standard practice.
- The Commission also observes that Chung Hung's foreign exchange gains and losses do not exclusively occur on export sales, but also occur on foreign currency purchases of imported HRC. Foreign exchanges gains / losses are only applicable to HRC and not to the purchase of zinc. Accordingly, such gains or losses have also been reasonably included in Chung Hung's domestic SG&A calculation as a general expense relating to the domestic sale of the subject goods.
- The Commission's practice is to make normal value adjustments under section 269TAC(8) where such an adjustment is required when foreign exchange gains and losses would affect price comparability. As there is no evidence before the Commission that Chung Hung amend export prices in order to hedge against foreign exchange gains and losses, the Commission considers that there is no evidence to warrant an adjustment to the normal value and so no adjustment has been made.

4.6.5.5 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 **negative 1.2 per cent**.

The Commission's calculations are included at **Confidential Attachment 10**.

4.6.6 **Prosperity (Taiwan)**

The Commission verified the data submitted by Prosperity in its REQ concerning zinc coated (galvanised) steel by comparing the data against other exporters from Taiwan for the same goods. Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Prosperity is the producer of the subject goods and that the information provided by Prosperity concerning zinc coated (galvanised) steel was reliable for the purposes of ascertaining variable factors.

Although Prosperity did not export any volume of zinc coated (galvanised) steel to Australia during the review period, the Commission considers Prosperity as the exporter, were the goods to be shipped to Australia.

A report covering the verification findings is available on the public record.¹⁰⁷

4.6.6.1 Export price

Prosperity did not export any volume of zinc coated (galvanised) steel to Australia during the review period or previously. It is the Commission's view that the application of section 269TAB(1) would require Prosperity to have exported the goods to Australia during the review period. Considering there was no volume of zinc coated (galvanised) steel exported to Australia during

¹⁰⁷ EPR 521 document no. 029.

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;¹⁰⁸ or
- the price at which the goods were sold by the importer in Australia less prescribed deductions;¹⁰⁹ or
- the price having regard to all the circumstances of the exportation.¹¹⁰

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

The Commission notes that the Explanatory Memorandum 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 section 269TAB(3) despite the methods in new section 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 Prosperity, the Commission considers Prosperity not to be a 'low volume' exporter as defined in section 269TAB(2A). Therefore, the Commission considers it appropriate that the export price, for the purposes of this review, be determined under section 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 Prosperity, having not yet exported zinc coated (galvanised) 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 Prosperity is the most relevant and reliable information available to determine Prosperity's ascertained export price.

4.6.6.2 Normal value

In respect of Prosperity's domestic sales of like goods to its unrelated and related customers during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The Commission is satisfied that all domestic sales made by Prosperity to its domestic customers during the period were arms length transactions.

¹⁰⁸ Section 269TAB(1)(a) of the Act.

¹⁰⁹ Section 269TAB(1)(b) of the Act.

¹¹⁰ Section 269TAB(1)(c) of the Act.

The Commission is satisfied that there were domestic sales of like goods, that were arms length transactions and at prices that were within the OCOT. The Commission is therefore satisfied that normal value can be ascertained under section 269TAC(1).

4.6.6.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|-----------------------------------|--|
| Domestic packaging | Deduct an amount for domestic packaging |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Domestic bank charges | Deduct an amount for bank charges |
| Domestic credit terms | Deduct an amount for domestic credit |
| Export packaging | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export handling and other charges | Add an amount for handling and other charges |
| Export other costs | Add an amount for other export costs |

Table 20: Summary of adjustment – Prosperity - zinc coated (galvanised) steel

4.6.6.4 Dumping margin

As detailed above, noting that Prosperity did not export the goods to Australia under consideration during the review period, the ascertained export price has been determined under section 269TAB(3) having regard to all relevant information, being equal to the normal value. As such, the dumping margin is not applicable. A variable component of IDD may be applicable where the actual export price is below the ascertained normal value.

The Commission's calculations are included at **Confidential Attachment 11**.

4.6.7 Yieh Phui (Taiwan)

The Commission conducted an onsite verification of the data submitted by Yieh Phui in its REQ concerning zinc coated (galvanised) steel. The Commission noted that all goods exported to Australia were through Yieh Phui's related trading entity Asiazone Co., Limited (Asiazone) which is based in Hong Kong.

Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Yieh Phui is the producer of the subject goods and that the information provided by Yieh Phui is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

A report covering the verification findings is available on the public record.¹¹¹

4.6.7.1 Export price

The Commission considers Yieh Phui is the exporter of the goods, as Yieh Phui is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;

¹¹¹ EPR 521 document no. 020.

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- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- arranges and pays for the port handling charges at the port of export.

In respect of Yieh Phui's sales of the goods to its related trading entity (i.e. Asiazone) that were subsequently sold to Australian customers during the review period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.¹¹²

The Commission therefore considers that all export sales to Australia made by Yieh Phui to Asiazone that were subsequently sold to Australian customers during the period were arms length transactions.

The Commission is satisfied that:

- Yieh Phui is the exporter of the goods;
- the goods have been exported to Australia otherwise than by the importer;
- the purchases of the goods were arms length transactions; and
- the goods were not purchased by the importer from the exporter.

Accordingly, in respect of Australian sales of the goods by Yieh Phui, the Commission has determined the export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the export price has been calculated as the price paid to the exporter less transport and other costs arising after exportation.

4.6.7.2 Normal value

In respect of Yieh Phui's domestic sales of like goods to its unrelated and related customers during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The Commission is satisfied that all domestic sales made by Yieh Phui to its domestic customers during the period were arms length transactions.

The Commission has assessed the total volume of like goods (sold in arms length transactions in the OCOT) as a percentage of the goods exported to Australia for the whole period and found that the volume of sales was five per cent or greater.

The Commission is therefore satisfied that normal value can be ascertained under section 269TAC(1).

¹¹² Section 269TAA of the Act.

The Commission has assessed the total volume of domestic sales of like goods as a percentage of the goods exported to Australia for the review period and found that the volume of domestic sales was sufficient. 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 5 out of the 31 models exported to Australia. For the other 26 MCCs exported to Australia, although there was an absence of domestic sales, the Commission found sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under the MCC hierarchy structure. In relying on surrogate models, the Commission considered cost based specification adjustments under 269TAC(8) are warranted to ensure fair comparison between the export model and surrogate domestic model.

4.6.7.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|------------------------------|---|
| Domestic credit terms | Deduct an amount for domestic credit |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Domestic packaging | Deduct an amount for domestic packaging |
| Domestic Warranty | Deduct an amount for domestic warranty |
| Export packaging | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export port charges | Add an amount for port charges |
| Export other selling charges | Add an amount for other selling charges |
| Export credit terms | Add an amount for export credit terms |
| Specification adjustment | Add or deduct an amount for a difference in specification |
| Timing adjustment | Add or deduct timing difference |

Table 21: Summary of adjustment – Yieh Phui - zinc coated (galvanised) steel

4.6.7.4 Dumping margin

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Yieh Phui for the review period. The margin is **5.3 per cent**.

The Commission's calculations are included at **Confidential Attachment 12**.

4.6.8 **CSVC (Vietnam)**

The Commission verified the data submitted by CSVC in its REQ concerning zinc coated (galvanised) steel by comparing the data to CSVC's own data concerning for the same goods from a previous case that was subject to an onsite verification (Investigation No. 370). Based on the data provided by the company and verified by the Commission, the Commission is satisfied that CSVC is the producer of the subject goods and that the information provided by CSVC concerning zinc coated (galvanised) steel was reliable for the purposes of ascertaining variable factors.

A report covering the verification findings is available on the public record.¹¹³

¹¹³ EPR 521 document no. 041.

4.6.8.1 Export price

CSVC did not export any volume of zinc coated (galvanised) steel to Australia during the review period. CSVC did, however, export zinc coated (galvanised) steel to Australia during the original investigation period in Investigation No. 370, and these export sales were considered in the calculation of a dumping margin for Investigation No. 370.

The Commission considers that there is insufficient information to ascertain the export price of the goods under section 269TAB(1) due to no volume of exports during the review period. The Commission therefore has considered whether the requirements of section 269TAB(2A) have been met, and whether CSVC's export price should be determined under section 269TAB(2B).

For CSVC to be considered a low or no volume exporter in accordance with section 269TAB(2A), the Minister must have regard to (i) previous volumes of exports by that exporter, (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.¹¹⁴ The Commission has considered these elements as follows.

Previous volumes of exports of those goods to Australia by CSVC – section 269TAB(2A)(b)(i)

CSVC exported zinc coated (galvanised) steel to Australia from Vietnam during the period examined in Investigation No. 370 (1 July 2015 to 30 June 2016). CSVC did not export the goods to Australia during the review period.

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

The Commission examined the patterns of trade for like goods by comparing exports from other exporters, and from other countries. The Commission also compared these patterns with those of CSVC to determine if changes in its export volume reflect broader market trends.

This examination indicates that, despite a decline in imports of zinc coated (galvanised) steel from CSVC, demand for zinc coated (galvanised) steel persists in the Australian domestic market generally, and there does not appear to have been a marked decline in the overall volume of zinc coated (galvanised) steel exports to Australia. The Commission therefore considers that CSVC's no 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 for like goods that are not within the control of the exporter – section 269TAB(2A)(b)(iii)

The Commission notes the Explanatory Memorandum identifies factors that may affect patterns of trade for like goods not within the control of the exporter.¹¹⁵ Such factors may include supply disruptions or natural events (such as flood, drought, or fire) that affect production levels.

The Commission found that CSVC manufactured and sold like goods on the domestic market and to third countries during the review period. The Commission also found there were no significant increase in the exports of the goods from other countries (not subject to measures) during the review period. The Commission therefore considers that this indicates that there do not appear to be any factors (such as natural events) that are not within the control of CSVC that are affecting trade for like goods.

¹¹⁴ Section 269TAB(2A)(b).

¹¹⁵ Page 31 of the Explanatory Memorandum.

4.6.8.2 Commission's consideration – section 269TAB(2A)

Having regard to the above, the Commission considers that, for CSVC, there is insufficient information to ascertain an export price under section 269TAB(1) due to no volume of exports to Australia. CSVC previously exported the goods to Australia in higher volumes and, despite the reduction in exports from CSVC, imports of zinc coated (galvanised) steel overall have not similarly declined. In addition, CSVC has not demonstrated that there are factors affecting the patterns of trade that are beyond its control. The Commission therefore considers it appropriate to ascertain an export price under section 269TAB(2B). Under this section 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 CSVC established in accordance with section 269TAB(1) for a decision of a kind mentioned in section 269TAB(2D);¹¹⁶
- the price paid or payable for like goods sold by CSVC in arms length transactions for exportation from Vietnam to a third country determined by the Minister to be an appropriate third country;¹¹⁷
- an export price for like goods exported to Australia from Vietnam by another exporter or exporters established in accordance with section 269TAB(1) for a decision mentioned in section 269TAB(2D).¹¹⁸

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

CSVC's export price in the investigation (determined in REP 370) was established pursuant to section 269TAB(1). Notice of the decision under section 269ZHG(1) following REP 370 was published on 16 August 2017.¹¹⁹ Therefore the Commission can determine the export price in accordance with section 269TAB(2B)(a).

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

The Commission found that during the review period CSVC sold like goods to a group of third countries.¹²⁰ The REQ provided information including export destinations, annual quantity, and total sales in USD. However, the Commission found that this data did not provide sufficient detail for use (e.g. lacking information regarding the date of sales and MCC, nor any information regarding export and handling costs) in determining the export price under section 269TAB(2B)(b).

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

The Commission also considered whether the export price could be determined under section 269TAB(2B)(c), based on the export price for like goods exported to Australia from the country of export by another exporter (or exporters) established in accordance with section 269TAB(1). However, as CSVC was the only cooperating exporter from Vietnam from this review, another exporter's export price is not available. Therefore, CSVC's export price has not been determined under section 269TAB(2B)(c).

¹¹⁶ Section 269TAB(2B)(a) of the Act.

¹¹⁷ Section 269TAB(2B)(b) of the Act.

¹¹⁸ Section 269TAB(2B)(c) of the Act.

¹¹⁹ ADN 2017/99.

¹²⁰ Name and data of CSVC's third countries sales were provided to the Commission in their confidential REQ.

4.6.8.3 Commission's consideration – section 269TAB(2B)

Having regard to the above, the Commission finds that ascertaining CSVC's export price under 269TAB(2B)(a) having regard to its previous export price established in accordance with section 269TAB(1) is the most appropriate.

Section 269TAB(2G) allows the Minister to make adjustments to the export price ascertained under section 269TAB(2B) to reflect what the export price would have been had there not been an absence of exports by CSVC. Such adjustments may include:

- adjustments due to exports relating to earlier times (timing adjustment);¹²¹
- adjustments due to exports relating to not identical goods (specification adjustment);¹²²

The Commission notes that global steel prices have moved since the last investigation period (i.e. 1 July 2015 to 30 June 2016). The Commission therefore considers that a timing adjustment is required to reflect what CSVC's export price would have been during the review period.

In addition, the Commission assessed whether the models exported in Investigation No. 370 could reasonably be expected to be exported by CSVC in the event that it had exported the subject goods in the current review period. The Commission examined the MCCs exported in the review period by all cooperative exporters and BlueScope's sales to determine which MCCs were in demand in the Australian market during the review period. The Commission found that CSVC's MCCs fell into two broad categories, that being models having a combination of coating mass and grade of "2-A" or "4-A" (refer Table 22). The Commission found that models under the "2-A" category had reasonably higher demand in the Australian market, the MCC was sold by either BlueScope or one other exporter, and the MCC was sold in the domestic market in the review period. Consequently, the Commission considers these models would likely have been exported to Australia in the review period.

The Commission found that models under category "4-A" had the smallest proportion of the Australian market (0.01 per cent) and that none of the cooperative exporters sold models under that category. Further, the Commission found that CSVC did not sell models under category "4-A" in the domestic market during the review period. The Commission therefore considers that these observations indicate that there has been a change in the demand for MCCs produced by CSVC such that there was limited demand for the "4-A" category of MCCs during the review period. One other MCC (P-C-Z-3-A-2-B-C, which did not fall within the aforementioned broad categories) was also assessed by the Commission and found to be unlikely to have been exported during the review period, on the basis of it having a very low demand in the Australian market and CSVC not having any domestic sales of this model in the review period. Of the 10 MCCs exported by CSVC in Investigation No. 370, the Commission considers that 6 MCCs, those having the coating mass and grade combination of "4-A" and one additional MCC, would not likely be exported by CSVC in the current review period (refer Table 22).

¹²¹ Section 269TAB(2G)(a) of the Act.

¹²² Section 269TAB(2G)(b) of the Act.

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| CSVC's export MCCs (Investigation 370) | Likely to be exported in review period? |
|--|---|
| P-C-Z-2-A-6-B-C | Y |
| P-C-Z-2-A-5-B-C | Y |
| P-C-Z-2-A-4-B-C | Y |
| P-C-Z-2-A-3-B-C | Y |
| P-C-Z-4-A-3-B-C | N |
| P-C-Z-4-A-2-B-C | N |
| P-C-Z-4-A-4-B-C | N |
| P-C-Z-3-A-2-B-C | N |
| P-C-Z-4-A-6-B-C | N |
| P-C-Z-4-A-5-B-C | N |

Table 22: Summary of CSVC's export MCCs and the Commission's conclusion regarding the likelihood that the MCCs would be exported in the review period

For the MCCs identified in Table 22 as being unlikely to be exported in the review period (those marked 'N'), the Commission has excluded them from the calculation of CSVC's export price. The Commission considers that the excluded MCCs from CSVC's export price calculation constitutes an adjustment under section 269TAB(2G), that is, an adjustment for an export price ascertained under section 269TAB(2B) to reflect what the export price would have been had there not been an absence or low volume of exports. The Commission's assessment is summarised at **Confidential Attachment 13**.

Timing adjustment applied at verification

As stated in CSVC's verification report,¹²³ the verification team based its timing adjustment on published steel pricing data from Platts. Specifically, the verification team used the weighted average price of HRC for Southeast Asia for the period relevant to Investigation No. 370 (weighted by CSVC's quarterly export volumes from that period) and compared it to the average price of the same index for the current review period. The verification team found that the ascertained export price for CSVC's exports of the goods had changed. Accordingly, CSVC's initial dumping margin as presented in the verification report was calculated using export price based on an adjustment using Platt's data. However, the case team has subsequently, after consideration of further information, amended the application of this timing adjustment. The discussion of this amendment is presented further below. This resulted in a reduction in CSVC's dumping margin.

4.6.8.4 Submission regarding export price

BlueScope contended that the Commission should not use the method of a timing adjustment based on a weighted average price movement for Platts Southeast Asia HRC prices between the two periods.¹²⁴ BlueScope submits that the most appropriate method to determine CSVC's export price is a weighted average export price of other Vietnamese exporters. BlueScope considers that this method is akin to determining an export price under section 269TAB(2B)(c). Section 269TAB(2B)(c) provides that the Commission can establish an export price for like goods

¹²³ EPR 521 document no. 041.

¹²⁴ EPR 521 document no. 042.

exported to Australia from the country of export by another exporter or exporters subject to their being ascertained under 269TAB(1).

Alternatively, BlueScope suggests¹²⁵ that the Commission may use a similar method to what it recommended in CSVC's verification report, but instead use the movement in the weighted average price for imports of the goods into Australia from Vietnam, rather than the HRC price movement.

Commission's consideration

In response to BlueScope's suggested methods for calculating the export price for CSVC the Commission:

- notes the use of the weighted average export of other Vietnamese exporters is not an option available to the Commission. As described at section 4.6.8.2, there are no other Vietnamese exporters whose export price was determined under section 269TAB(1) in the review period; and
- has examined the timing adjustment benchmark data provided by BlueScope, including the import data of the goods into Australia from Vietnam which BlueScope suggest as an alternative, and subsequently assessed all the relevant price index data available to the Commission that could reasonably be used for a timing adjustment. The Commission does not consider that using the suggested subject goods weighted average price of imports to Australia from Vietnam for the relevant tariff codes would be reasonable since the datasets between the 2 relevant periods are not equivalent (for the previous period the data would include exports of dumped goods whilst the review period data would include exports of goods subject to Anti-Dumping measures).

The Commission considers that the movement in exempt Vietnamese exporters'¹²⁶ prices from the ABF database is a reasonable reflection of zinc coated (galvanised) steel export prices to Australia for the purpose of a timing adjustment and has accordingly revised its calculation of the timing adjustment. In particular, the Commission has revised the calculation from that stated in CSVC's exporter verification report and has instead used the weighted average export price of Vietnamese exporters for the period of Investigation No. 370 and compared this to the weighted average export price of exempt Vietnamese exporters' of the current review period. When this movement was applied, this resulted in a reduction in CSVC's export price for the current review period as compared to those referred to in CSVC's verification report already published on the Commission's website.

CSVC's revised export price calculations are at **Confidential Attachment 13**.

4.6.8.5 Normal value

In respect of CSVC's domestic sales of like goods to its unrelated and related customers during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

¹²⁵ EPR 521 document no. 042.

¹²⁶ The name of these two exempted Vietnamese exporters are available on the Dumping Commodity Register for zinc coated (galvanised) steel.

- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The Commission is satisfied that all domestic sales made by CSVC to its domestic customers during the period were arms length transactions.

The Commission is satisfied that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The Commission has determined normal value under section 269TAC(1).

4.6.8.6 Adjustments

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

| Adjustment Type | Deduction/addition |
|-------------------------------|---|
| Domestic credit insurance fee | Deduct an amount for credit insurance fee |
| Domestic packaging | Deduct an amount for domestic packaging |
| Domestic inland transport | Deduct an amount for domestic inland transport |
| Domestic handling charges | Deduct an amount for handling charges |
| Export costs | Add an amount for packaging, inland transport, handling charges and other costs |

Table 23: Summary of adjustment – CSVC - zinc coated (galvanised) steel

4.6.8.7 Submission regarding normal value and adjustments

In relation to normal value, in its submission,¹²⁷ BlueScope:

- queried whether CSVC's cost to make was reasonable given that CSVC's REQ indicates that it does not maintain costs separately for each specific type of the subject goods, and that the details of CSVC's cost allocations are redacted in its REQ;
- requested the Commission consider if all the domestic sales-related adjustments have been accounted for given that in Investigation No. 370 CSVC reported 4 domestic sales-related adjustments in its REQ (that is, on-invoice discounts and/or off-invoice rebates in relation to the like goods in the review period), however only 2 such adjustments were reported in CSVC's REQ for the present review;
- submitted that in relation to the calculation of the normal value, the Commission should examine the exchange rates used by CSVC where it imports feed material for the production of the goods, and that any foreign exchange losses on HRC and zinc purchases should be added to CSVC's CTM for the OCOT test and any constructed normal value.

In its submission BlueScope posited that in relation to CSVC's adjustments:

- The Commission should make a specification adjustment to the normal value because the Commission applied a specification adjustment to CSVC's normal value in Investigation No. 370. BlueScope consider that if CSVC had of exported the goods in the review period a specification adjustment would likely be required; and

¹²⁷ EPR 521 document no. 042.

- The Commission has applied a downwards adjustment to the normal value for domestic handling charges, however no such adjustment was applied to CSVC's normal value in Investigation No. 370. BlueScope queries whether CSVC's domestic supply chain would have altered between the two inquiries and therefore whether such an adjustment is warranted.

Commission's consideration

After the consideration of BlueScope's submission, in relation to the normal value:

- The Commission notes that CSVC's REQ reported its typical business practice. It is common that cost data as required by the Commission does not comport with the typical business practices of a verified entity. In such instances the Commission verifies the allocation of costs. The Commission verified CSVC's data for the present review and were satisfied with its cost allocation method. Further, the Commission compared CSVC's cost data for the present review to that provided by CSVC in Investigation No. 370 and were satisfied, upon accounting for changes in costs between the two inquiries, that the review period costs are reasonable.
- The Commission understands that the domestic sales-related adjustments indicated by CSVC in its REQ for Investigation No. 370 and the present review are those relevant to the investigation and review period, respectively. The Commission assessed CSVC's domestic sales during verification in respect of the present review and were satisfied that its domestic sales were accurate, complete, and relevant.
- The Commission collects CTM data of the actual costs of production from exporters in the REQ. Consequently, foreign exchange gains or losses are not relevant with regard to CTM data collected by the Commission. Since the verification team were satisfied of the completeness, relevance and accuracy of CSVC's cost data,¹²⁸ the Commission is satisfied that foreign exchange gains and losses are not a relevant consideration for inclusion in the cost data for the OCOT test or any constructed normal value. The Commission's practice is to treat relevant foreign exchange gains and losses as SG&A in the calculation of CTMS. The Commission can confirm that any relevant foreign exchange gains and losses were included in the SG&A calculation in accordance with the Commission's standard practice.

In relation to specification adjustments:

- The Commission notes that no section 269TAC(8) or section 269TAC(9) specification adjustments were applied to CSVC's normal value in Investigation No. 370.¹²⁹ The passage cited by BlueScope in its submission is in relation to that verification team's consideration of how to treat models which, for that investigation period, had insufficient domestic sales in the OCOT. Specifically, that verification team opted to construct normal values under TAC(2)(c) for these sales after having "considered using a surrogate model" but finding that there were "significant specification adjustments" required which prevented surrogate models being a viable option.¹³⁰

Regarding the downwards adjustment to the normal value for domestic handling charges, the Commission is satisfied that based on the information received and verified in relation to the

¹²⁸ EPR 521 document no. 041.

¹²⁹ The adjustments to CSVC's normal value as recommend by that verification team and applied by that case team are summarised in section 6.7 of CSVC's verification report for Investigation No. 370 (EPR 370, document 076), and section 6.11.3 of REP 370 (EPR 370, document 106), respectively.

¹³⁰ Quoted passages are from CSVC's verification report for Investigation No. 370 (EPR 370, document 076).

present review, the adjustment is required to ensure that the normal value so ascertained is properly compared with the export price of those goods.

No changes have been made to CSVC's normal value on the basis of the above considerations.

4.6.8.8 Dumping margin

The Commission has calculated a dumping margin in respect of the goods under consideration (zinc coated (galvanised) steel) for CSVC for the review period. The margin is **negative 3.5 per cent**. This is a change from the negative 20.8 per cent dumping margin published in CSVC's verification report.

The Commission's calculations are included at **Confidential Attachment 13**.

4.6.9 **Uncooperative and all other exporters**

As detailed in section 2.4.3.2 of this report, the Commission has determined that all exporters of zinc coated (galvanised) steel from the subject countries who did not provide a response to the exporter questionnaire, or which did not request a longer period to provide a response within the legislated period, are uncooperative exporters for the purposes of this review.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

4.6.9.1 China

4.6.9.1.1 Export price

The Act specifies that for uncooperative exporters, export prices are to be calculated under section 269TAB(3). The Commission has therefore established an export price under section 269TAB(3) having regard to all relevant information.

The Commission has determined an export price pursuant to section 269TAB(3), having regard to all relevant information. Specifically, the Commission has used the lowest of weighted average export prices of those that were established for cooperating selected exporters in the review period.

4.6.9.1.2 Normal value

The Act specifies that for uncooperative exporters, normal values are to be calculated under section 269TAC(6). The Commission has therefore established the normal value under section 269TAC(6) having regard to all relevant information.

The Commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Specifically, the Commission has used the highest of weighted average normal values of those that were established for the cooperating selected exporters in the review period.

4.6.9.1.3 Dumping margin

The dumping margin for uncooperative and all other exporters of zinc coated (galvanised) steel from China is **14.4 per cent**.

The Commission's calculations are included at **Confidential Attachment 14**.

4.6.9.2 India

4.6.9.2.1 Export price

The Commission considers that the most reliable and relevant information it possesses in relation to exports of the goods from India over the review period is the import data in the ABF import database. This contains detailed importation data from import declarations made by importers to the ABF. Therefore, the Commission has calculated the export price based on the weighted average Free on Board (FOB) export price declared by importers of the goods over the review period from India from the ABF import database.

4.6.9.2.2 Normal value

The Commission considers that the most reliable and relevant information it possesses in relation to the normal value of the goods in India over the review period is the verified normal value information from the original investigation (Investigation No. 370). Therefore, the Commission has calculated the normal value based on the normal value of all other exporters from India from REP 370 and has made an adjustment based on the movement in export prices between the original investigation period and the current review period.

4.6.9.2.3 Dumping margin

The dumping margin for all exporters from India was established in accordance with section 269TACB(2)(a) by comparing the weighted average export price and weighted average normal value.

The dumping margin for all exporters of zinc coated (galvanised) steel from India is **12.0 per cent.**

Details of the dumping margin calculations for all exporters from India are at **Confidential Appendix 15.**

4.6.9.3 Korea

4.6.9.3.1 Export price

The Act specifies that for uncooperative exporters, export prices are to be calculated under section 269TAB(3). The Commission has therefore established an export price under section 269TAB(3) having regard to all relevant information. Since Dongbu was the only cooperative exporter in the review period, the Commission has had regard to that exporter's weighted average export price. Dongbu's weighted average export price has been used to establish an export price for uncooperative exporters from Korea.

4.6.9.3.2 Normal value

The Act specifies that for uncooperative exporters, normal values are to be calculated under section 269TAC(6). The Commission has therefore established the normal value under section 269TAC(6) having regard to all relevant information.

Since Dongbu was the only cooperative exporter in the review period, the Commission has had regard to that exporter's normal value. Dongbu's weighted average normal value (exclusive of favourable adjustments) has been used to establish a normal value for uncooperative exporters from Korea.

4.6.9.3.3 Dumping margin

The dumping margin for all exporters from Korea was established in accordance with section 269TACB(2)(a) by comparing the weighted average export price and weighted average normal value.

The dumping margin for all exporters of zinc coated (galvanised) steel from Korea is **negative 1.4 per cent**.

Details of the dumping margin calculations for all exporters from Korea are at **Confidential Appendix 14**.

4.6.9.4 Malaysia

CSCM from Malaysia cooperated during the original investigation (Investigation No. 370). However, for this review, CSCM provided a submission instead of a response to the exporter questionnaire. In its submission, CSCM acknowledged that it has missed the due date to submit the response to the exporter questionnaire for this review. In the absence of information which can be relied upon to determine CSCM's dumping margin, the Commission has regarded CSCM as an uncooperative exporter.

4.6.9.4.1 Export price

The Act specifies that for uncooperative exporters, export prices are to be calculated under section 269TAB(3). The Commission has therefore established an export price under section 269TAB(3) having regard to all relevant information. Considering there were no imports of the goods from Malaysia during the review period, the Commission considers that the most reliable and relevant information it possesses in relation to exports of the goods from Malaysia over the review period is the verified information from cooperating exporters across all subject countries during the current review period. The Commission has used the lowest verified export price of all cooperative exporters of the goods over the review period (excluding exporters deemed as new exporters) and then converted this export price to Malaysia Ringgit from historical foreign exchange rates published by the Reserve Bank of Australia for the review period.

4.6.9.4.2 Normal value

The Act specifies that for uncooperative exporters, normal values are to be calculated under section 269TAC(6). The Commission has therefore established the normal value under section 269TAC(6) having regard to all relevant information.

The Commission considers that the most reliable and relevant information it possesses in relation to the normal value of the goods in Malaysia over the review period is the verified normal value information from the original investigation (Investigation No. 370). Therefore, the Commission has calculated the normal value based on the normal value of all other exporters from Malaysia from REP 370 and has made an adjustment for the movement in export prices between the original investigation period and the current review period.

4.6.9.4.3 Dumping margin

The dumping margin for all exporters from Malaysia was established in accordance with section 269TACB(2)(a) by comparing the weighted average export price and weighted average normal value.

The dumping margin for all exporters of zinc coated (galvanised) steel from Malaysia is **16.5 per cent**.

Details of the dumping margin calculations for all exporters from Malaysia are at **Confidential Appendix 14**.

4.6.9.5 Taiwan

4.6.9.5.1 Export price

The Commission has determined an export price pursuant to section 269TAB(3), having regard to all relevant information. Specifically, the Commission has used the lowest of weighted average

export prices of those that were established for cooperating selected exporters in the review period.

4.6.9.5.2 Normal value

The Commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Specifically, the Commission has used the highest of weighted average normal values of those that were established for the cooperating selected exporters in the review period.

4.6.9.5.3 Dumping margin

The dumping margin for uncooperative and all other exporters of zinc coated (galvanised) steel from Taiwan is **8.6 per cent**.

The Commission's calculations are included at **Confidential Attachment 9**.

4.6.9.6 Vietnam

4.6.9.6.1 Export price

CSV, the only cooperative exporter in the review period from Vietnam did not export any of the subject goods to Australia. The Commission therefore considers that the most reliable and relevant information it possesses in relation to exports of the goods from Vietnam over the review period is the import data in the ABF import database. This contains detailed importation data from import declarations made by importers to the ABF. Therefore, the Commission has calculated the export price based on the weighted average FOB export price (declared by importers of the goods) over the review period from Vietnam from the ABF import database.

4.6.9.6.2 Normal value

The Commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Since CSV was the only cooperative exporter in the review period, the Commission has had regard to that exporter's normal value. CSV's weighted average normal value (exclusive of favourable adjustments) has been used to establish a normal value for uncooperative exporters from Vietnam.

4.6.9.6.3 Dumping margin

The dumping margin for uncooperative and all other exporters of zinc coated (galvanised) steel from Vietnam is **negative 0.7 per cent**.

The Commission's calculations are included at **Confidential Attachment 14**.

4.7 Variable factors: Aluminium zinc coated steel

4.7.1 Huada (China)

The Commission verified the data submitted by Huada in its REQ concerning aluminium zinc coated steel by comparing the data submitted against another exporter from China for the same goods. The Commission also compared the data to Huada's own data concerning the same goods from a previous case that was subject to a verification (Accelerated Review Nos. 500 and 519). Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Huada is the producer of the subject goods and that the information provided by Huada concerning aluminium coated steel was reliable for the purposes of ascertaining variable factors.

Although Huada did not export any volume of aluminium zinc coated steel to Australia during the review period, the Commission considers Huada as the exporter, were the goods to be shipped to Australia.

A report covering the verification findings is available on the public record.¹³¹

4.7.1.1 Export price

It is the Commission's view that the application of section 269TAB(1) would require Huada to have exported the goods to Australia during the review period. Considering Huada did not export any volume of aluminium zinc coated steel to Australia during the review period, 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;¹³² or
- the price at which the goods were sold by the importer in Australia less prescribed deductions;¹³³ or
- the price having regard to all the circumstances of the exportation.¹³⁴

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

The Commission notes that the Explanatory Memorandum 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 section 269TAB(3) despite the methods in new section 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 Huada, the Commission considers Huada not to be a 'low volume' exporter as defined in section 269TAB(2A). Therefore, the Commission considers it appropriate that the export price, for the purposes of this review, be determined under section 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 Huada, having not yet exported aluminium zinc coated 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 Huada is the most relevant and reliable information available to determine Huada's ascertained export price.

4.7.1.2 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 section 269TAC(1). The Commission has therefore constructed normal value under section 269TAC(2)(c) and, as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

¹³¹ EPR 522 document no. 015.

¹³² Section 269TAB(1)(a) of the Act.

¹³³ Section 269TAB(1)(b) of the Act.

¹³⁴ Section 269TAB(1)(c) of the Act.

Section 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, 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 4.5.2, the Commission has determined that the costs relating to purchases of HRC during the review period contained in Huada's records do not reflect competitive market costs. The Commission has applied a timing adjustment in the HRC cost using the benchmark as discussed in section 4.5.2 and in accordance with the Regulation as described above.

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

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

4.7.1.3 Adjustments

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

| Adjustment Type | Deduction/addition |
|------------------------------|--|
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port charges and other charges |
| Export other costs | Add an amount for other export costs |
| Non-refundable VAT | Add an amount for non-refundable VAT |

Table 24: Summary of adjustment – Huada- aluminium zinc coated steel

4.7.1.4 Dumping margin

As detailed above, noting that Huada did not export the goods under consideration to Australia during the review period, the ascertained export price has been determined under section 269TAB(3) having regard to all relevant information, being equal to the normal value. As such, the dumping margin is not applicable. A variable component of IDD may be applicable where the actual export price is below the ascertained normal value.

The Commission's calculations are included at **Confidential Attachment 15**.

4.7.2 Zongcheng (China)

The Commission verified the data submitted by Zongcheng in its REQ concerning aluminium zinc coated steel by completing a desktop verification. The Commission is satisfied that Zongcheng is the producer of the subject goods. Based on the data provided by the company and verified by the Commission, the Commission is satisfied that Zongcheng is the producer of the subject goods and that the information provided by Zongcheng concerning aluminium zinc coated steel was accurate and reliable for the purposes of ascertaining variable factors.

A report covering the verification findings is available on the public record.¹³⁵

4.7.2.1 Export price

The Commission considers Zongcheng is the exporter of the goods¹³⁶, as the company is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as the shipper on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight.

In respect of the Australian sales of the goods during the period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.¹³⁷

The Commission therefore considers that the export sales to Australia made by Zongcheng during the period were arms length transactions.

The Commission is satisfied that for the Australian export sales during the review period:

- Zongcheng is the exporter of the goods;
- the goods have been exported to Australia otherwise than by the importer; and
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions

However, Zongcheng exported low volumes of aluminium zinc coated steel to Australia during the current review period when compared to previous volumes exported. The Commission therefore has considered whether the requirements of section 269TAB(2A) have been met, and whether Zongcheng's export price should be determined under section 269TAB(2B).

For Zongcheng to be considered a low or no volume exporter in accordance with section 269TAB(2A), the Minister must have regard to (i) previous volumes of exports by that exporter, (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.¹³⁸ The Commission has considered these elements as follows.

¹³⁵ EPR 522 document no. 014.

¹³⁶ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

¹³⁷ Section 269TAA of the Act.

¹³⁸ Section 269TAB(2A)(b).

Previous volumes of exports of those goods to Australia by Zongcheng – section 269TAB(2A)(b)(i)

Zongcheng exported aluminium zinc coated steel to Australia from China during the periods examined in Investigation No. 190 (1 July 2011 to 30 June 2012) and Review No. 456 (1 October 2016 to 30 September 2017). When compared to these previous volumes, Zongcheng exported a low volume of the goods to Australia during this review period (between July 2018 and June 2019).

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

The Commission examined the patterns of trade for like goods by comparing exports from other exporters, and from other countries. The Commission also compared these patterns with those of Zongcheng to determine if changes in its export volume reflect broader market trends.

This examination indicates that, despite a decline in imports of aluminium zinc coated steel from Zongcheng, 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 the overall volume of aluminium zinc coated steel exports to Australia. The Commission therefore considers that Zongcheng'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 for like goods that are not within the control of the exporter – section 269TAB(2A)(b)(iii)

The Commission notes the Explanatory Memorandum identifies factors that may affect patterns of trade for like goods not within the control of the exporter.¹³⁹ Such factors may include supply disruptions or natural events (such as flood, drought, or fire) that affect production levels.

The Commission found that Zongcheng manufactured and sold like goods on the domestic market and to third countries during the review period. The Commission also found there were no significant increase in the exports of the goods from other countries (not subject to measures) during the review period. The Commission therefore considers that this indicates that there do not appear to be any factors (such as natural events) that are not within the control of Zongcheng that are affecting trade for like goods.

4.7.2.2 Commission's consideration – section 269TAB(2A)

Having regard to the above, the Commission considers that, for Zongcheng, there is insufficient information to ascertain an export price due to the low volume of exports to Australia. Zongcheng previously exported the goods to Australia in higher volumes and, despite the reduction in exports from Zongcheng, imports of aluminium zinc coated steel overall have not similarly declined. In addition, Zongcheng has not demonstrated that there are factors affecting the patterns of trade that are beyond its control. The Commission therefore considers it appropriate to ascertain an export price under section 269TAB(2B). Under this section the Commission is able to determine an export price having regard to any of the following:

¹³⁹ Page 31 of the Explanatory Memorandum.

- a previous export price for the goods exported to Australia by Zongcheng established in accordance with section 269TAB(1) for a decision of a kind mentioned in section 269TAB(2D);¹⁴⁰
- the price paid or payable for like goods sold by Zongcheng in arms length transactions for exportation from China to a third country determined by the Minister to be an appropriate third country;¹⁴¹
- an export price for like goods exported to Australia from China by another exporter or exporters established in accordance with section 269TAB(1) for a decision mentioned in section 269TAB(2D).¹⁴²

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

Zongcheng's export price in the continuation inquiry (determined in REP 450) and review of measures (determined in REP 456) was established pursuant to section 269TAB(1). Notice of the decision under section 269ZHG(1) following REP 450 was published on 17 July 2018.¹⁴³ Therefore the Commission can determine the export price in accordance with section 269TAB(2B)(a).

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

The Commission found that during the review period Zongcheng sold like goods to a group of third countries.¹⁴⁴ The REQ provided information including export destinations, annual quantity, and total sales in renminbi. However, the Commission found that this data did not provide sufficient detail for use (e.g. lacking information regarding the date of sales and MCC, nor any information regarding export and handling costs) in determining the export price under section 269TAB(2B)(b). Another exporter's export price – section 269TAB(2B)(c)

The Commission also considered whether the export price could be determined under section 269TAB(2B)(c), based on the export price for like goods exported to Australia from the country of export by another exporter (or exporters) established in accordance with section 269TAB(1). However, as Zongcheng and Huada were the only two cooperating exporters from China for this review but Huada did not export the goods to Australia during the review, another exporter's export price is not available. Therefore, Zongcheng's export price has not been determined under section 269TAB(2B)(c).

Confidential Attachment 16 contains the Commission's analysis in regards to the Zongcheng's export price.

4.7.2.3 Commission's consideration – section 269TAB(2B)

Having regard to the above, the Commission finds that ascertaining Zongcheng's export price under 269TAB(2B)(a) having regard to its previous export price established in accordance with

¹⁴⁰ Section 269TAB(2B)(a) of the Act.

¹⁴¹ Section 269TAB(2B)(b) of the Act.

¹⁴² Section 269TAB(2B)(c) of the Act.

¹⁴³ ADN 2018/87.

¹⁴⁴ Name and data of Zongcheng's third countries sales were provided to the Commission in their confidential REQ.

section 269TAB(1) is the most appropriate as it reflects sales to Australia and utilises Zongcheng's own data.

Section 269TAB(2G) allows the Minister to make adjustments to the export price ascertained under section 269TAB(2B) to reflect what the export price would have been had there not been an absence of exports by Zongcheng. Such adjustments may include:

- adjustments due to exports relating to earlier times (timing adjustment);¹⁴⁵
- adjustments due to exports relating to not identical goods (specification adjustment);¹⁴⁶

The Commission notes that global steel prices have moved since the last review period (i.e. 1 October 2016 to 30 September 2017). The Commission therefore considers that a timing adjustment is required to reflect what Zongcheng's export price would have been during the review period of 1 July 2018 to 30 June 2019. The Commission has used published steel pricing data from Platts, specifically the weighted average price of HRC for China for the period in Review No. 456 (weighted by Zongcheng's quarterly export volumes from that period) compared to the average price of the same index for the current review period. The Commission found that the ascertained export price for Zongcheng's exports of the goods has changed.

Zongcheng's export price calculations are at **Confidential Attachment 16**.

4.7.2.4 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 section 269TAC(1). The Commission has therefore constructed normal values under section 269TAC(2)(c) and, as required by sections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulation.

Section 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, 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 4.5.2, the Commission has determined that the costs relating to purchases of HRC during the review period contained in Zongcheng's records do not reflect competitive market costs. The Commission has applied an adjustment to Zongcheng's HRC cost using the benchmark as discussed in section 4.5.2 and in accordance with the Regulation as described above.

The Commission has worked out an amount for SG&A costs under section 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 review period.

The Commission has calculated an amount for profit under section 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.

¹⁴⁵ Section 269TAB(2G)(a).

¹⁴⁶ Section 269TAB(2G)(b).

4.7.2.5 Adjustments

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

| Adjustment Type | Deduction/addition |
|------------------------------|---|
| Domestic packaging | Deduct an amount for domestic packaging |
| Export packing cost | Add an amount for export packaging |
| Export inland transport | Add an amount for export inland transport |
| Export port handling charges | Add an amount for port charges |
| Export other costs | Add an amount for other costs |
| Non-refundable VAT | Add an amount for non-refundable VAT |

Table 25: Summary of adjustment – Zongcheng- aluminium zinc coated steel

4.7.2.6 Dumping margin

The Commission has calculated a dumping margin in respect of the goods under consideration (aluminium zinc coated steel) for Zongcheng for the period. The margin is **24.6 per cent**.¹⁴⁷

The Commission's calculations are included at **Confidential Attachment 16**.

4.7.3 Uncooperative and all other exporters

4.7.3.1 China

As detailed in section 2.4.3.2, the Commission considers all exporters of aluminium zinc coated steel from China who did not provide a response to the exporter questionnaire, or which did not request a longer period to provide a response within the legislated period, are uncooperative exporters for the purposes of this review.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

4.7.3.1.1 Export price

The Commission has determined an export price pursuant to section 269TAB(3), having regard to all relevant information. Specifically, the Commission has used the lowest of weighted average export prices of those that were established for cooperating selected exporters in the review period.

4.7.3.1.2 Normal value

The Commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Specifically, the Commission has used the highest of weighted average normal values of those that were established for the cooperating selected exporters in the review period, less favourable adjustments.

4.7.3.1.3 Dumping margin

The dumping margin for uncooperative and all other exporters of aluminium zinc coated steel from China is **25.5 per cent**.

The Commission's calculations are included at **Confidential Attachment 17**.

¹⁴⁷ After applying the revised HRC cost benchmark as outlined at Section 4.5.2.5 of this report, this resulted in a reduction of 0.02 per cent to Zongcheng's dumping margin that was originally published in its verification report. However, after rounding to 1 decimal place, Zongcheng's dumping margin remains at 24.6 per cent.

5 VARIABLE FACTORS – COUNTERVAILING NOTICES

5.1 Findings

The Commission finds that the variable factors relevant to the determination of ICD under the Dumping Duty Act have changed.

The Commission proposes to recommend to the Minister that the countervailing duty notices have effect as if different variable factors (the amount of countervailable subsidy received) had been ascertained. The revised variable factors resulted in different subsidy margins relevant to the taking of ICD.

5.2 Relevant information

Zinc coated (galvanised) steel

The countervailing duty notice in respect of zinc coated (galvanised) steel applies to all exporters from China other than Angang, ANSC-TKS Galvanizing, Yieh Phui (China) Technomaterial Co. Ltd, Zongcheng, and Dingxin. The Chinese exporter Hongshun, who is not currently subject to countervailing measures, provided relevant information to the Commission for this review of measures.

The Commission has not received a Government of China (GOC) questionnaire response and has therefore, where relevant, and in addition to the relevant information provided by exporters from China, relied on subsidy programs identified in *International Trade Remedies Branch Report No. 193* (REP 193), *Anti-Dumping Commission Report No. 316* (REP 316), *Anti-Dumping Commission Report No. 379* (REP 379), *Anti-Dumping Commission Report No. 500* (REP 500) and *Anti-Dumping Commission Report No. 519* (REP 519) in its assessment of whether benefits received from exporters from China are countervailable.

The countervailing duty notice in respect of zinc coated (galvanised) steel applies to all exporters from India. No exporter from India provided relevant subsidy information to the Commission for this review of measures.

The Commission received a GOI questionnaire response. The Commission also relied on subsidy programs identified in REP 370, and information published on GOI websites, in its assessment of whether benefits received from exporters from India are countervailable.

Aluminium zinc coated steel

The countervailing duty notice in respect of aluminium zinc coated steel applies to all exporters from China other than Angang, Yieh Phui (China) Technomaterial Co. Ltd, Zongcheng and Union Steel China. The only exporter that is subject to a countervailing duty notice in respect of aluminium zinc coated steel that provided relevant information to the Commission for this review of measures was Huada.

The Commission has not received a GOC questionnaire response and has therefore, where relevant, and in addition to the relevant information provided by exporters from China, relied on subsidy programs identified in REP 193, REP 316, REP 379, REP 500 and REP 519 in its assessment of whether benefits received from exporters from China are countervailable.

5.3 Countervailing margin: Zinc coated (galvanised) steel

5.3.1 Cooperative exporters - China

Based on the relevant information provided by exporters of zinc coated (galvanised) steel from China, the Commission has identified one Chinese exporter who was in receipt of benefits from subsidy programs in relation to the subject goods. The Commission found that the Chinese exporter Hongshun was in receipt of one subsidy program during the review period which was found to be countervailable. **Non-confidential Appendix B** sets out the Commission's assessment of this program which has not previously been assessed by the Commission.

The amount of benefit received by Hongshun has been attributed to each unit of zinc coated (galvanised) steel using the value of sales of goods under consideration (in the absence of export sales to Australia in the review period). Hongshun's subsidy margin has been calculated using the amount of the unit benefit expressed as a percentage of its ascertained export price.

Although Hongshun received a benefit from a countervailable subsidy in the review period, the subsidy margin applicable to Hongshun is **0.0 per cent** (after rounding to 1 decimal place). On this basis, the Commission recommends that the countervailing duty notice applying to zinc coated (galvanised) steel be changed. The Commission's subsidy calculations for Hongshun are at **Confidential Attachment 7**.

5.3.2 Non-cooperative and all other exporters - China

In accordance with section 269TAACA, in the absence of GOC advice regarding the individual enterprises that had received financial contributions under each of the investigated subsidy programs, the Commission has had regard to the available relevant facts.

The Commission has determined that non-cooperative exporters received financial contributions that have conferred a benefit under 35 programs found to be countervailable in relation to zinc coated (galvanised) steel during the review period (34 existing programs and one program not previously assessed by the Commission). **Non-confidential Appendix B** sets out the Commission's assessment of all relevant programs.

The resulting total subsidy margin applicable to exports by non-cooperative and all other exporters is **12.1 per cent**. The Commission's subsidy calculations for non-cooperative and all other exporters is at **Confidential Attachment 14**.

5.3.3 Non-cooperative and all other exporters - India

As stated in section 2.4.3.2 of this report, the Commission has determined that all exporters from India are non-cooperative exporters.

The Commission received a response to the government questionnaire from the GOI.¹⁴⁸ Therein, the GOI stated that there were no fundamental changes to the subsidy programs which the Commission deemed countervailable in Investigation No. 370. The Commission assessed each of the countervailable programs in respect of India in the review period and did not find evidence that the existing programs had changed in any fundamental way since they were assessed in Investigation No. 370. **Non-confidential Appendix B** sets out the Commission's assessment of these programs.

¹⁴⁸ EPR 521 document no. 016.

The Commission notes that in its response to the government questionnaire the GOI reiterates its position that Program 27 (Duty Exemption/Remission Schemes – Duty Drawback Scheme) is not countervailable, consistent with its submissions in Investigation No. 370. In the absence of new information being presented in support of this argument, the Commission's preliminary view is to continue to deem Program 27 countervailable.

The GOI indicated that Program 27¹⁴⁹ would be impacted by the introduction of the goods and services tax (GST) with effect from 1 July 2017, in which several relevant, previously existing taxes were subsumed. The Commission has assessed the impact of the introduction of the GST on Program 27 and the consequences for the subsidy rate applicable to non-cooperative all other exporters from India. The Commission considers that the introduction of the GST to India has impacted the duty drawback rate, as published on the GOI's website which details the duty drawback schedule. The Commission has compared the rates applicable to the period of the original investigation in Investigation No. 370 and the review period and finds that the duty drawback rates applicable to the review period are lower than they were at the time of the original investigation. This may have the effect of decreasing the amount of countervailable subsidy available to Indian exporters.

However, in the absence of detailed exporter information and based on the evidence before the Commission, the Commission's preliminary view is to recommend that the non-cooperative countervailing rate be revised using the updated export price for India's uncooperative and all exporters as detailed in Section 4.6.9.2.1.

The resulting total subsidy margin applicable to exports by non-cooperative and all other exporters is **4.3 per cent**.

The Commission's analysis of Program 27 and the subsidy calculations can be found at **Confidential Attachment 14**.

5.4 Countervailing margin: Aluminium zinc coated steel

5.4.1 Cooperative exporters - China

Based on the relevant information provided by exporters of aluminium zinc coated steel from China, the Commission has identified one Chinese exporter who was in receipt of benefits from subsidy programs in relation to the subject goods. The Commission found that Chinese exporter Huada was in receipt of 16 unique subsidy programs in this review, 15 of which were found to be countervailable. Ten of the programs have not previously been assessed by the Commission, whilst the remaining 6 programs have been assessed by the Commission in previous inquiries. **Non-confidential Appendix B** sets out the Commission's assessment of these programs, and the approach taken to attribute, allocate and calculate a unit subsidy amount for each program. Huada's subsidy margin has been calculated using the amount of the unit benefit expressed as a percentage of its ascertained export price for each selected exporter.

As such, the subsidy margin applicable to Huada is **0.5 per cent**. On this basis, the Commission recommends that the countervailing duty notice applying to aluminium zinc coated steel be changed. The Commission's subsidy calculations for Huada are at **Confidential Attachment 15**.

¹⁴⁹ The program number is that used in Investigation No. 370.

5.4.2 Non-cooperative and all other exporters - China

In accordance with section 269TAACA, in the absence of GOC advice regarding the individual enterprises that had received financial contributions under each of the investigated subsidy programs, the Commission has had regard to the available relevant facts.

The Commission determines that non-cooperative exporters have received financial contributions that have conferred a benefit under 64 programs found to be countervailable in relation to aluminium zinc coated steel during the review period (54 existing programs and 10 programs not previously assessed by the Commission). **Non-confidential Appendix B** sets out the Commission's assessment of all relevant programs.

The resulting total subsidy margin applicable to exports by non-cooperative and all other exporters is **20.8 per cent**. The Commission's subsidy calculations for non-cooperative and all other exporters is at **Confidential Attachment 17**.

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 Commission will generally derive the NIP from the Australian Industry’s unsuppressed selling price (USP).

6.2 Lesser Duty rule

Where the Minister is required to determine the IDD, section 8(5B) of the *Customs Tariff (Anti-Dumping) Act 1975* (the Dumping Duty Act) applies. Where the Minister is required to determine both ICD and IDD, sections 8(5BA) and 10(3D) of the Dumping Duty Act apply.

Sections 8(5B), 8(5BA) and 10(3D) require the Minister to have regard to the ‘lesser duty rule’ when determining the ICD and IDD payable. In relation to a dumping duty notice, the lesser duty rule requires consideration of whether the NIP is less than the normal value of the goods. In respect of concurrent dumping and countervailing notices, the lesser duty rule requires the Minister to consider the desirability of fixing a lesser amount of duty, such that the sum of the export price of the goods ascertained for the purposes of the notices, the ICD and IDD, do not exceed the NIP.

However, pursuant to sections 8(5BAA), 8(5BAAA) and 10(3DA) of the Dumping Duty Act, the Minister is not required to have regard to the lesser duty rule where one or more of the following circumstances apply:¹⁵⁰

- a) the normal value of the goods was not ascertained under section 269TAC(1) because of the operation of section 269TAC(2)(a)(ii);
- b) there is an Australian industry in respect of like goods that consists of at least two small-medium enterprises, whether or not that industry consists of other enterprises; and / or
- c) if a countervailing subsidy has been received in respect of the goods – the country in relation to which the subsidy has been provided, has not complied with Article 25 of the *WTO Agreement on Subsidies and Countervailing* for the compliance period.

Nonetheless, the Minister is not required to consider imposing a lesser amount of duty, but may still wish to exercise the discretion to do so.

6.3 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 the Dumping and Subsidy Manual (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;

¹⁵⁰ Sections 8(5BAAA)(a) to (c) of the Dumping Duty Act concern the calculation of dumping duty and sections 10(3DA)(a) to (c) of the Dumping Duty Act concern the calculation of countervailing duty.

- selling prices of un-dumped and unsubsidised imports.¹⁵¹

6.4 Discussion

6.4.1 Submissions

BlueScope

BlueScope has submitted¹⁵² that it supports establishing the NIP at the normal value for each exporter. This method was used in REP 370 and BlueScope sees no need to alter this method.

Dongbu

Dongbu has submitted¹⁵³ that it supports the establishing the NIP using the selling prices of un-dumped and un-subsidised imports into the Australian market. Dongbu contends that:

- there are significant export volumes from exporters that are not subject to measures, which includes imports from subject countries and countries that are not subject to this review; and
- there are large volumes of the subject goods from Korea, which are exempt from measures. Dongbu contends that as these exporters are exempt from measures based on past review or inquiries, therefore these exports can be considered to represent un-dumped and un-subsidised imports in the Australian market.

6.4.2 The Commission's approach

The Commission has assessed the submissions received, its policy on calculating the NIP and the facts of this particular case.

The Commission considers that in this instance determining the NIP based on the industry's selling prices in a period unaffected by dumping is not appropriate due to the number of previous dumping cases for this product, including findings of circumvention of anti-dumping measures.

The next option as per the hierarchy available to the Commission is to construct an industry price.

The Commission notes that the Manual indicates that when establishing the USP/NIP in reviews under Division 5 of Part XVB of the Act, the Commission will generally not depart from the approach taken in the original investigation or a previous review, unless there has been a change in circumstances that either makes the earlier USP approach unreasonable, or less preferred amongst the other available options. Further, the Commission considers it appropriate to use the same method of USP/NIP across countries in the same case.

During Investigation No. 190 and the most recent reviews, Review No. 456 and 457 (subject countries being China, Korea and Taiwan), the USP was based on the Australian industry's CTMS for the investigation/review period plus an amount for profit during the period. The NIP was then calculated by deducting amounts for post exportation costs. During Investigation No. 370 (for

¹⁵¹ The Manual, pp. 137-140.

¹⁵² EPR 521 document no. 005; EPR 522 document no. 005.

¹⁵³ EPR 521 document no. 031.

subject countries being India, Malaysia and Vietnam), the NIP was previously based on an alternative method, being the un-dumped and/or unsubsidised price for each exporter.

The Commission considers that adopting a constructed price method is appropriate because:

- a reasonable rate for historical profit can be established;
- the industry CTMS data is suitable for a construction approach;
- the result is a reasonable level of USP (when contrasted with the price obtained historically).

While the prices of un-dumped and unsubsidised imports method is also available, given the levels and history of dumping of the goods in the Australian market, the Commission is not confident that these prices have not be influenced by the dumped prices of other exporters. The Commission also considers that a constructed price method is preferable as it reflects the circumstances and data of the Australian industry.

As such the Commission considers that a constructed industry price is the most appropriate method.

6.4.3 Calculations of the USP

For the purpose of these reviews, an USP for zinc coated (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 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 USP calculations are at **Confidential Attachment 18** (for zinc coated (galvanised) steel) and at **Confidential Attachment 19** (for aluminium zinc coated steel).

6.4.4 Establishing a NIP

Having calculated the USP, 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. Where verified importation costs for a particular subject country during the review period is not available for zinc coated (galvanised steel), the Commission has used importation costs available from other similar countries during the review period for the same goods.

In relation to aluminium zinc coated steel, as verified importation costs from China during the review period is not available (as there was no cooperating importers from Review no. 522), the Commission has instead used verified importation cost from importers who imported zinc coated (galvanised) steel from China during the review period.

The Commission's calculation of the NIP applying to each exporting country is contained at **Confidential Attachment 18** (for zinc coated (galvanised) steel) and at **Confidential Attachment 19** (for aluminium zinc coated steel).

6.5 The lesser duty rule and the effective rate of duty

The calculation of the NIP is relevant for the purposes of the lesser duty rule under the Dumping Duty Act.¹⁵⁴ The level of dumping duty imposed by the Minister cannot exceed the margin of dumping, but, where the NIP of the goods is less than the normal value of the goods, the Minister must also have regard to the desirability of fixing a lesser amount of duty.

The Australian industry producing like goods does not consist of at least two small-medium enterprises and therefore the second exception to the lesser duty rule does not arise.

6.5.1 China

In relation to the goods and exporters of the goods from China, the Commission has found that there exists a particular market situation in the Chinese zinc coated (galvanised) steel and aluminium zinc coated steel market for the review period and because of the operation of section 269TAC(2)(a)(ii), the normal value for Chinese exporters has not been determined according to section 269TAC(1).¹⁵⁵ Accordingly, the Minister is not required to consider the desirability of imposing a lesser amount of duty, but may nevertheless exercise a discretion to do so.

In accordance with a method specified by the Minister under section 8(5B) and the discretion conferred by sections 8(5BAA) and 8(5BAAA) of the Dumping Duty Act, the discretion to apply a lesser amount of duty will not apply to the goods of exporters from China because of the market situation.

6.5.2 India, Korea, Malaysia, Taiwan and Vietnam

With respect to exporters from India, Korea, Malaysia, Taiwan and Vietnam, the operation of section 269TAC(2)(a)(ii) does not apply and the exception to the Minister's consideration of the desirability of applying the lesser duty rule does not arise.

Korea, Malaysia, Taiwan and Vietnam

Where the NIP is less than the normal value, the Minister must consider the desirability of imposing a lesser amount of duty with respect to the goods and exporters of the goods from these countries. The Commission has found that the NIP for dumped goods in relations to exporters from India, Korea, Malaysia, Taiwan and Vietnam is not lower than the normal values of those goods. Therefore, the NIP is not the operative measure and thus, the lesser duty rule does not apply.

India

Exporters from India are subject to both IDD and ICD. Subsection 8(5BA) of the Dumping Duty Act requires that the Minister have regard to the desirability of specifying a method of IDD, such that the sum of the AEP of the goods and of the amounts of IDD and ICD to be imposed, do not exceed the NIP of the particular goods. The Commission has found that, for the uncooperative and all other exporters from India, the sum of the AEP, IDD and ICD exceeds the NIP. Therefore, the Commission considers that the lesser duty rule be applied to these exporters by setting a level of IDD such that the AEP, IDD and ICD does not exceed the NIP.

¹⁵⁴ Section 8(5B) of the Dumping Duty Act.

¹⁵⁵ With respect to uncooperative exporters from China, normal value was worked out under section 269TAC(6), having regard to all relevant information. In this case, the application of the market situation to all Chinese exporters due to the operation of section 269TAC(2)(a)(ii), including those determined to be uncooperative, is relevant information.

7 PROPOSED MEASURES

7.1 Findings

The Commissioner finds that, in relation to zinc coated (galvanised) steel exported to Australia from China, India, Korea, Malaysia, Taiwan and Vietnam and aluminium zinc coated steel exported to Australia from China 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 changed.

7.2 Forms of duty available – dumping

The forms of duty available to the 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).¹⁵⁶

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 Minister, the Commissioner will have regard to the *Guidelines on the Application of Forms of Dumping Duty* (the Guidelines)¹⁵⁷ and relevant factors in the market for the goods.

The Commission notes that currently, for some exporters, measures 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 except for exporters who were not found to be dumping.

7.3 Forms of duty available – countervailing

In relation to ICD, 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 2 methods.

7.4 Proposed recommendations

The Commissioner proposes to recommend to the Minister that the dumping duty notice in respect of exports of:

- zinc coated (galvanised) steel exported from China, India, Korea, Malaysia, Taiwan and Vietnam; and

¹⁵⁶ Section 5 of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

¹⁵⁷ The Guidelines are available on the Commission website.

- aluminium zinc coated steel exported from China

have effect as if different variable factors had been ascertained.

The Commissioner proposes to recommend to the Minister that the countervailing duty notice in respect of exports of:

- zinc coated (galvanised) steel exported from China and India; and
- aluminium zinc coated steel exported from China

have effect as if different variable factors had been ascertained.

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;¹⁵⁸ and
- in respect of any IDD that may become payable, using the floor price method for exporters with a negative dumping margin in the review period and combination of fixed and variable duty method for other exporters.¹⁵⁹

The two tables below set out the proposed anti-dumping measures that will apply.¹⁶⁰

7.4.1 Zinc coated (galvanised) steel

| Country | Exporter | Proposed duty method – IDD | Effective rate of IDD ¹⁶¹ | Proposed duty method – ICD | Rate of ICD |
|---------|--|----------------------------|--------------------------------------|----------------------------|---------------------|
| China | Shandong Guanzhou Dingxin Plate Technology Co. Ltd | Floor price | 0.0% | | N/A |
| | Guanxian Hongshun Composite Material Co., Ltd | Floor price | 0.0% | Proportion of export price | 0.0% ¹⁶² |
| | Zongcheng | Combination | 3.5% | | N/A |
| | All other exporters | Combination | 9.3% | Proportion of export price | 12.1% |

¹⁵⁸ In accordance with section 10(3B)(a) of the Dumping Duty Act.

¹⁵⁹ Pursuant to section 5(2) of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

¹⁶⁰ In relation to dumping duties, exports from Dongkuk Steel Mill Co. Ltd, POSCO, Ta Fong Steel Co. Ltd, Sheng Yu Steel Co. Ltd, Hoa Sen Group, Nam Kim Steel Joint Stock Company were not considered as these entities are exempt from measures. In relation to countervailing duties for China, exports from Angang Steel Company Ltd, ANSC-TKS Galvanizing Co. Ltd, Yieh Phui Technomaterial Co. Ltd, Jiangyin Zongcheng Steel Co. Ltd and Shangdong Guanzhou Dingxin Plate Technology Co. Ltd were not considered as these entities are exempt from measures.

¹⁶¹ For the effective rate of IDD for uncooperative Chinese exporters, the LTAR margin has been deducted from the rate of IDD to determine the effective rate. As detailed in Section 6.5.2, for uncooperative Indian exporters, the effective rate of IDD reflects the Commission's considerations that the lesser duty rule be applied.

¹⁶² Whilst Hongshun's ICD is 0.0%, Hongshun received a benefit from a countervailable subsidy in the review period. Section 5.3.1.

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| Country | Exporter | Proposed duty method – IDD | Effective rate of IDD ¹⁶¹ | Proposed duty method – ICD | Rate of ICD |
|----------|---|----------------------------|--------------------------------------|----------------------------|-------------|
| India | All other exporters | Combination | 8.5% | Proportion of export price | 4.3% |
| Korea | Dongbu Steel Co Ltd | Floor price | 0.0% | | N/A |
| | All other exporters | Floor price | 0.0% | | N/A |
| Malaysia | All other exporters | Combination | 16.5% | | N/A |
| Taiwan | Chung Hung Steel Corporation | Floor price | 0.0% | | N/A |
| | Prosperity | Floor price | 0.0% | | N/A |
| | Yieh Phui Enterprise Co Ltd | Combination | 5.3% | | N/A |
| | All other exporters | Combination | 8.6% | | N/A |
| Vietnam | China Steel Sumikin Vietnam Joint Stock Company | Floor price | 0.0% | | N/A |
| | All other exporters | Floor price | 0.0% | | N/A |

Table 26: Proposed measures applying to zinc coated (galvanised) steel

7.4.2 Aluminium zinc coated steel

| Country | Exporter | Proposed duty method – IDD | Effective rate of IDD ¹⁶³ | Proposed duty method - ICD | Rate of ICD |
|---------|---------------------|----------------------------|--------------------------------------|----------------------------|-------------|
| China | Zongcheng | Combination | 24.6% | | N/A |
| | Huada | Floor price | 0.0% | Proportion of export price | 0.5% |
| | All other exporters | Combination | 15.2% | Proportion of export price | 20.8% |

Table 27: Proposed measures applying to aluminium zinc coated steel

¹⁶³ For the effective rate of IDD for uncooperative Chinese exporters, the LTAR margin has been deducted from the rate of IDD to determine the effective rate.

8 APPENDICES AND ATTACHMENTS

| | |
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| Non-confidential Appendix A | Market situation assessment |
| Non-confidential Appendix B | Assessment of subsidy programs |
| Non-confidential Appendix C | Public bodies |
| Confidential Attachment 1 | Effect of the market situation – cost |
| Confidential Attachment 2 | Effect of the market situation – sales |
| Confidential Attachment 3 | Proper comparison assessment |
| Confidential Attachment 4 | HRC competitive cost analysis |
| Confidential Attachment 5 | HRC cost replacement calculation |
| Confidential Attachment 6 | Dingxin – Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 7 | Hongshun–Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 8 | Zongcheng –Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 9 | Dongbu –Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 10 | Chung Hung –Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 11 | Prosperity – Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 12 | Yieh Phui – Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 13 | CSVC – Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 14 | Uncooperative and all other exporters –Variable factors – zinc coated (galvanised) steel |
| Confidential Attachment 15 | Huada – Variable factors – aluminium zinc coated steel |
| Confidential Attachment 16 | Zongcheng – Variable factors – aluminium zinc coated steel |

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| | |
|-----------------------------------|--|
| Confidential Attachment 17 | Uncooperative and all other exporters – Variable factors – aluminium zinc coated steel |
| Confidential Attachment 18 | Non-injurious price – zinc coated (galvanised) steel |
| Confidential Attachment 19 | Non-injurious price – aluminium zinc coated steel |
| Confidential Attachment 20 | Currency fluctuation analysis |
| Confidential Attachment 21 | Chinese coated steel market trade flows |

NON-CONFIDENTIAL APPENDIX A – MARKET SITUATION ASSESSMENT

A.1 Introduction

Section 269TAC(2)(a)(ii) implements, in part, Article 2.2 of the WTO *Anti-Dumping Agreement*:

When there are no sales of the like product in the ordinary course of trade in the domestic market of the exporting country or when, because of the particular market situation or the low volume of the sales in the domestic market of the exporting country [*footnote omitted*], such sales do not permit a proper comparison, the margin of dumping shall be determined by comparison with a comparable price of the like product when exported to an appropriate third country, provided that this price is representative, or with the cost of production in the country of origin plus a reasonable amount for administrative, selling and general costs and for profits.

Where a particular market situation is found, pursuant to section 269TAC(2)(a)(ii), the Commission must also consider whether, because of the situation in the Chinese market, sales of zinc coated (galvanised) steel and aluminium zinc coated steel in China are not suitable for determining a price under section 269TAC(1). If a market situation exists in a country such that domestic sales are not suitable for comparison with export sales, normal values may instead be constructed under section 269TAC(2)(c) or determined by reference to prices from a third country under section 269TAC(2)(d).

This appendix sets out the Commission's assessment of whether a particular market situation existed in the Chinese zinc coated (galvanised) steel and aluminium zinc coated steel market during the review period.¹⁶⁴

The Act does not prescribe what is required to reach a finding of a market situation. A market situation will arise when there is some factor or factors impacting the relevant market in the country of export generally. When considering whether sales are not suitable for use in determining a normal value under section 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 section 269TAC(1).

Government influence on prices or input costs could be one cause of artificially low prices. 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 for the like goods may also be artificially low or not substantially the same as they would otherwise be due to government influence on the costs of inputs. The Commission assesses the

¹⁶⁴ The Commission's assessment of proper comparison is set out in respect of each exporter in chapter 5.

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.

The Manual provides further guidance on the circumstances in which the Commission will find that a market situation exists.¹⁶⁵

A.1.1 Information relied upon to undertake the Commission's assessment

In undertaking this assessment, the Commission considered the following:

- previous market situation assessments undertaken by the Commission;¹⁶⁶
- BlueScope's application for a review of measures and responses to both the industry questionnaire and supplementary questionnaire;
- responses to the exporter questionnaire and supplementary questionnaire by a cooperating exporter;¹⁶⁷ and
- desktop research, including information obtained from departmental resources and third party information providers.

The Commission requested that the GOC complete a government questionnaire, but did not receive a response. The Commission has therefore has relied on all available information in undertaking its assessment regarding a market situation.

A.1.2 The Commission's approach

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

The Commission has given consideration to conditions:

- within the broader Chinese steel industry and the degree to which these may impact on prices and / or raw material costs;
- in the market for the raw materials used to produce zinc coated (galvanised) steel and aluminium zinc coated steel; and
- in the market for zinc coated (galvanised) steel and aluminium zinc coated steel itself.

This approach was adopted because of the lack of available information concerning certain aspects of the Chinese zinc coated (galvanised) steel and aluminium zinc coated steel and HRC markets, due, in part, to the GOC not providing the Commission with a response to the government questionnaire.

With respect to costs, HRC or CRC account for approximately between 75 and 90 per cent of the weighted average cost to make for zinc coated (galvanised) steel and aluminium zinc coated steel products. Table 29 below shows a breakdown of the HRC proportion to cost per subject countries. Therefore the Commission considers that distortions in the HRC market have a substantial impact

¹⁶⁵ The Manual, p. 36.

¹⁶⁶ A number of past cases have made market situation findings concerning steel products in China, with the following cases particularly relevant as the products examined utilise HRC as the chief raw material input: REP 177 (HSS - 2012), REP 190 (zinc coated (galvanised) steel and aluminium zinc coated steel – 2013) REP 379 (HSS - 2017), REP 456 and 457 (zinc coated (galvanised) steel and aluminium zinc coated steel - 2018), REP 419 (HSS - 2018) and REP 529 (HSS – SEF published in 2020)

¹⁶⁷ Huada was the only cooperating exporter who provided a response to the supplementary questionnaire.

on the prices paid for these goods. Unless indicated otherwise, the Commission's assessment uses "HRC" to refer to HRC and, CRC collectively.

China was the world's largest producer and consumer of steel in 2019, at 53.3% and 51.3% respectively (as a portion of global production and demand)¹⁶⁸, and rolled steel products (including HRC) was China's most exported steel product.¹⁶⁹ The Commission understands that HRC is a key input into the production of a number of different steel products, and therefore, considers that conditions within the broader Chinese steel industry caused by the GOC's interventions and distortions (described below) would also affect conditions in the Chinese HRC, zinc coated (galvanised) steel and aluminium zinc coated steel markets. As a result, the Commission considers that distortions in the Chinese HRC market will also have a substantial impact on the prices paid by domestic and export customers for zinc coated (galvanised) steel and aluminium zinc coated steel.

In this assessment, "GOC" refers to all levels of government in China, unless otherwise specified. Similarly, the Commission has referred to Chinese state owned and state invested enterprises collectively as "SOEs".

A.2 The GOC's role in the Chinese steel market

A.2.1 Overview

The Chinese economy in general has undergone significant economic structural reforms to transition towards greater liberalisation of trade and foreign direct investment inflows and outflows. However, the role of government at all levels in the Chinese economy, controlling trade and foreign direct investment liberalisation for social and economic purposes, has created a hybrid system in China where decisions of the market are heavily influenced by government as opposed to conditions of competition. Simply put, Chinese firms selling and purchasing in China's steel markets set prices and make purchasing decisions that are influenced by the directives and policies of the GOC, competition with SOEs that reflect the economic, social and fiscal goals of the GOC as well as private firm competition on price, product and market share.

A.2.2 GOC policies affecting the steel industry

The Chinese steel industry is of significant importance to China's national, economic and social security. Growth in this industry has been dependent on structured investment in, and funding of, fixed assets in SOE steel mills, steel production output for massive infrastructure and urbanisation projects supported by the GOC and export oriented trade.

A.2.2.1 Initiatives influencing Chinese steel markets

In order to achieve such significant steel manufacturing output to achieve supply-side economic growth and reform, the GOC manages an array of subsidy programs, soft lending and credit facilities, preferential loans, land grants and capacity controls to drive domestic output and consumption of steel. In recent years, China's steel industry has played an important role in its economic structural reform and as such, changes in response to global issues and concerns are slow and incremental. The Commission understands that the GOC has a preference for incremental reform so as not to induce "shock" changes and sudden reforms in its steel industry, which has the potential to risk the livelihoods of directly employed workers and workers employed in related industries.

¹⁶⁸ [2020 World Steel in Figures](#), World Steel Association, May 2020.

¹⁶⁹ [China Statistical Yearbook 2019](#), National Bureau of Statistics.

Specific initiatives, implemented to address imbalances in the Chinese steel market broadly, 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* proposed that SOE capacity be reduced by 100 to 150 million tonnes by 2020, via the banning of new capacity building and elimination of what are colloquially known as "zombie mills".¹⁷⁰ The Central Government had also pledged a RMB 100 billion fund for employee compensation, social security payments and plant closure incentives in the coal and steel sectors.¹⁷¹

The *GOC Opinions* forbid the registration of new production capacity in any form and requires that any production that does not meet environmental, energy consumption, quality, safety or technical standards be taken offline.¹⁷²

The Commission recognises the GOC's 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.¹⁷³ 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 have potential to return to production when higher steel prices prevail, leading to further distortions.¹⁷⁴ 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.¹⁷⁵ 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.¹⁷⁶

¹⁷⁰ Liu, H & Song, L, 2016, pp338-339. AME Group, Steel 2016: June Quarter, Strategic Market Study. 2016, Q2. p.9. These mills would be shut down under normal competitive market conditions, due to either poor profitability or insolvency.

¹⁷¹ Duke Centre on Globalisation, Governance & Competitiveness (Duke Centre), 2016. *Overcapacity in Steel: China's role in a global problem*, September 2016, p.38

¹⁷² KPMG, 2016. The 13th 5 Year Plan: China's Transformation and Integration with the World Economy, p.29. Sourced from GOC Opinions, State Council, 4 February 2016.

¹⁷³ Platts, 2016. Global Market Outlook, Steel Business Briefing. January 2016, p.14

¹⁷⁴ Platts, 2017. Global Market Outlook, Steel Business Briefing. January 2017, p.10

¹⁷⁵ Platts, 2017. Global Market Outlook, Steel Business Briefing. January 2017, p.10

¹⁷⁶ DBS Asian Insights, China's steel sector supply reform, April 2017, p.5

In addition, local governments have not fully implemented the central directives on capacity reduction, with reports that steel mills engage in “capacity swapping” by moving capacity to more favourable regions, thereby maintaining or increasing the mill's capacity.¹⁷⁷

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

- 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.¹⁷⁸ In 2019, BAOWU Steel Group expected to increase its annual steel production capacity by twenty million tonnes after an agreement to merge with Magang (Group) Holding Co Ltd.¹⁷⁹

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.¹⁸⁰ Specific examples of these issues include the reliance of their tax systems on business revenue (including production based VAT) and gross domestic product oriented performance measures which encourage over-investment.¹⁸¹

A.2.2.2 Industry planning guidelines and directives

The central body responsible for developing and administering planning directives, and providing overarching approval of large scale investment projects within China is the National Development and Reform Commission¹⁸² (NDRC). It is the Commission's view that directives from the NDRC, as the GOC's central planning authority, would thus be central to both industry specific 'five-year plans' and the planning decisions of all levels of government more generally. More explicit enforcement mechanisms are reflected in the *Notice of the State Council on Further Strengthening the Elimination of Backward Production Capabilities and Guidelines* (the GOC Guidelines).¹⁸³ Mechanisms to address non-compliance include:

- revoking of pollutant discharge permits;

¹⁷⁷ Steel Guru, [China to further tighten steel capacity swapping rules - NDRC](#) (10 May 2019) and [China to Halt Capacity Swaps Project Approvals in Steel Industry](#) (24 January 2020).

¹⁷⁸ Platts, 2016. Global Market Outlook, Steel Business Briefing. June 2016, p.11

¹⁷⁹ Reuters, 2019, '[China Baowu Steel to take majority stake in rival Magang](#)'

¹⁸⁰ Platts, 2016. Global Market Outlook, Steel Business Briefing. April 2016 p.16

¹⁸¹ Duke Centre, *op cit* (172), p.29

¹⁸² [National Development and Reform Commission](#)

¹⁸³ [*Notice of the State Council on Further Strengthening the Elimination of Backward Production Capacities*] State Council (China), Notice no. 7, 6 April 2010 ('GOC Guidelines')

- restrictions on financial institutions providing new credit support;
- restrictions on examination and approval of new investment projects;
- restrictions on approval of new land for use by the enterprise; and
- restrictions on issuing of new, and cancelling of existing, production licenses.

According to reports, the GOC Guidelines state that enterprises that do not conform to the industrial policy shall not be provided financial support by financial departments. More implicit enforcement mechanisms are reflected by the regulatory powers of bodies, such as the Ministry of Industry and Information Technology. It is the Commission's understanding that such bodies maintain lists of companies that are deemed to be either compliant or non-compliant with national standards on production, environmental protection, energy efficiency and safety. Those deemed non-compliant are to be closed.¹⁸⁴

It is the Commission's view that the effectiveness of the above mentioned mechanisms are reflected in the responsiveness of industry groups and major companies to the GOC's various 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.¹⁸⁵ The Plan remained current in the review period.

To support the Chinese steel industry's development in line with the Plan, the *Iron and Steel Industry Adjustment and Upgrade Plan* (2016-2020) (the Upgrade Plan) was developed. The Upgrade Plan proposed 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 2020.¹⁸⁶ Examples of the Chinese steel industry's response to these directives was reflected in the restructuring of the BAOWU Steel Group. In 2019, BAOWU Steel Group was the largest producer of crude steel in China and the second largest worldwide.¹⁸⁷

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).¹⁸⁸ As these plans have ended, the Commission's view is that these have been largely superseded by further policies and plans.

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;

¹⁸⁴ Office of the Chief Economist, Department of Industry, Innovation and Science, Resources and Energy Quarterly (December 2015), p.47.

¹⁸⁵ KPMG, op cit, (173) p.3

¹⁸⁶ King & Spalding, China Issues 13th Five Year Plan for the Steel Industry, Yan, Linga, November 22, 2016.

¹⁸⁷ [2020 World Steel in Figures](#), World Steel Association, May 2020

¹⁸⁸ 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.

- 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; and
 - 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; and
 - 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 Reorganisation¹⁸⁹
- 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; and
 - 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; and
 - further industry consolidation leading to 10 largest producers accounting for 60 per cent of production by 2020.
5. Guiding Opinions on Accelerating the Merger and Acquisition and Reorganisation in Key Industries (2013)¹⁹⁰

¹⁸⁹ [General Office of the State Council on Promoting Central Enterprises: Guidance on Structural Adjustment and Restructuring] State Council on Promoting Central Enterprises (China), Notice no. 56, 26 July 2016 http://www.gov.cn/zhengce/content/2016-07/26/content_5095050.htm

¹⁹⁰ [Guiding Opinions on Accelerating the Merger and Acquisition and Reorganisation in Key Industries] Ministry of Industry and Information Technology (China), Notice no. 16, 22 January 2013 http://www.gov.cn/zwqk/2013-01/22/content_2317600.htm.

6. Three-Year Action Plan to Win the Blue Sky War (2018–2020, published 2018).¹⁹¹

In addition, broader industrial restructuring and reorganising directives of the GOC have an impact on the Chinese steel industry.¹⁹²

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.¹⁹³ 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.¹⁹⁴

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.¹⁹⁵

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.¹⁹⁶

A.2.2 Role and operation of SOEs

It has been observed that:

¹⁹¹ [*Three-Year Action Plan to Win the Blue Sky War*] State Council (China), Notice no. 22, 27 June 2018 http://www.gov.cn/zhengce/content/2018-07/03/content_5303158.htm.

¹⁹² 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).

¹⁹³ *International Trade Remedies Branch Report No. 177* (REP 177), p.123 refers.

¹⁹⁴ Dong Zhang and Owen Freestone, *China's Unfinished State-Owned Enterprise Reforms* (2013), *Economic Roundup*, The Treasury, Australian Government, issue 2, pp. 79-102

¹⁹⁵ REP 177, p.128 refers.

¹⁹⁶ 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](#).

[SOEs] are an organic component of China's political and economic governance, although their contribution to the national output has shrunk to 40%. They are still considered to be substantial building blocks of the economy and act as a buffer against internal shocks and external threats.¹⁹⁷

The Chinese economy is commonly described as a 'socialist market economy' as it features dominant SOEs co-existing with market capitalism and private enterprise.¹⁹⁸ Commentary provided with the 2019 Fortune 500 list indicates that of the 129 Chinese companies listed that year, SOEs accounted for 80 per cent of the revenue earned, an increase of 4 per cent on the previous year.¹⁹⁹

Between 2010 and 2015, SOEs accounted for 44 per cent of total Chinese steel production.²⁰⁰ However this may have been as high as 60 per cent.²⁰¹

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."²⁰²

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.²⁰³

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.²⁰⁴

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 *Guidance on the Promotion of Central Enterprises*

¹⁹⁷ Amir Guluzade, published on the World Economic Forum website, [How reforms have made China's state owned enterprises stronger](#) (21 May 2020).

¹⁹⁸ Asialink Business, [Overview of China's economy](#), accessed 21 July 2020

¹⁹⁹ <https://fortune.com/2019/07/27/ceo-daily-july-27-sino-saturday/>

²⁰⁰ Liu. H & Song. L, 2016, p.349

²⁰¹ Platts Steel Business Briefing (Platts), *Global Market Outlook*, January 2016, p.14

²⁰² World Bank, China 2030: Building a Modern, Harmonious, and Creative Society, Report No. 96299 (March 2013), p.25

²⁰³ Anti-Dumping Commission, Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016 (Commissioner's Steel Report), p.47

²⁰⁴ Liu. H & Song. L, 2016, p.348

Restructuring and Reorganisation (the Guidance).²⁰⁵ 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.

In 2019, the GOC announced its intention to introduce a three year action plan on SOE reform, which reflects the continuation of the significance of SOEs to the Chinese economy.²⁰⁶ The plan is designed to target mixed-ownership reform and strategic restructuring in sectors including coal and electricity, steel and non-ferrous metal. In recent years SOE reform has focussed on consolidation through mergers and acquisitions, which has (arguably) increased the state's presence in the market.²⁰⁷

The Commission considers that in combination with slow, incremental policy reform and the GOC's economic and fiscal stimulus packages, the role of SOEs in general, involved in "...capital intensive sectors that produce intermediate but highly tradable goods with important linkages to other upstream and downstream economic activities, such as the mining, chemicals or even electronics sectors..."²⁰⁸ provides a buffer to the Chinese steel industry from external market forces. Those SOEs "...operating in upstream sectors... provide inputs to steel companies at below-market prices and in preferable terms. The same applies to downstream [SOE] companies buying steel products at above-market rates, thus providing support to steel companies. In addition, several concerns relate to the functioning of the financial sector in the presence of [SOEs]."²⁰⁹

A.2.3 The role of the GOC in private firms

In addition, the Commission understands that whilst not expressly compulsory under law, private firms engage with the policies and objectives of the GOC by aligning their commercial interests with industry directives and where relevant, appointing party members on supervisory boards.

A.2.4 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.²¹⁰ 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

²⁰⁵ The State Council, notice advising the issuing of the [guideline on reorganization of SOEs](#) (July 2016)

²⁰⁶ The State Council, notice [urging SOEs to increase profitability and deepen reform](#) (July 2020)

²⁰⁷ Hong, Y (2019), 'Reform of State-owned Enterprises in China: The Chinese Communist Party Strikes Back', *Asian Studies Review*, pp.332-351.

²⁰⁸ OECD Steel Committee, [State Enterprises in the Steel Sector](#) (20 December 2018), p.5

²⁰⁹ OECD Steel Committee, [State Enterprises in the Steel Sector](#) (20 December 2018), p.8

²¹⁰ Duke Centre, *op cit* (172), p.25

steel industry during the review period by providing direct financial support to recipient steel producers.

The Commission notes that countervailable subsidies have been received by exporters from China (Section 5 of this report 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.²¹¹ It supports unprofitable producers, delaying or preventing their timely exit from the industry.

A.2.5 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*.²¹² 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 exported goods which has undergone incremental change. In 2018 and 2019, the GOC implemented a further series of VAT reforms, which included lowering the VAT rates paid, as described in Table 28.

| | Tier 1 VAT rate payable | Tier 2 VAT rate payable | Tier 3 VAT rate payable | Tier 4 VAT rate payable |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Pre-1 July 2017 | 17% | 13% | 11% | 6% |
| 1 July 2017 | 17% | 11% | 6% | <i>Tier 4 revoked</i> |
| 1 May 2018 | 16% | 10% | 6% | |
| 1 April 2019 | 13% | 9% | | |

Table 28: VAT rate reform in China 2017 to 2019²¹³

Under the Chinese VAT system, VAT 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 "...and successive tax payers are allowed to deduct the VAT they pay on their purchases while they account for VAT they collect on the 'value added'".²¹⁴ Because it is difficult for exporters to pass on the input VAT to export customers, eligible steel exporters have traditionally been compensated for input VAT paid during the production process via the payment of VAT rebates.

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 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

²¹¹ Commissioner's Steel Report, at www.adcommission.gov.au p.45

²¹² Concerning hot rolled plate steel exported from China, the Republic of Indonesia, Japan, the Republic of Korea and Taiwan; pp. 41-43

²¹³ <https://www.oecd.org/tax/consumption/status-of-the-vat-reform-in-the-peoples-republic-of-china-2018.pdf> - 2019 rates verified in review period

²¹⁴ <https://www.oecd.org/tax/consumption/status-of-the-vat-reform-in-the-peoples-republic-of-china-2018.pdf>

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 rates for exports of the goods varied with exporter ranging between zero and 3.0 per cent. However, in the absence of a response to the government questionnaire from the GOC, the Commission has no additional or exhaustive data regarding the VAT rebate scheme to provide further comment on this issue.

A.2.6 Competition in Chinese steel markets

One of the important features of the Chinese steel market is the lack of import competition such that price setting and competition in the domestic market is predominantly, if not solely, influenced by domestic firms.

The May 2020 US International Trade Administration (USITA) Global Steel Trade Monitor Report highlights that steel production in China is driven by its domestic demand and consumption, such that import penetration (as a function of consumption) in steel has remained low, at 1.6 per cent in 2018 and 2019. Figure 1 shows the USITA's analysis.

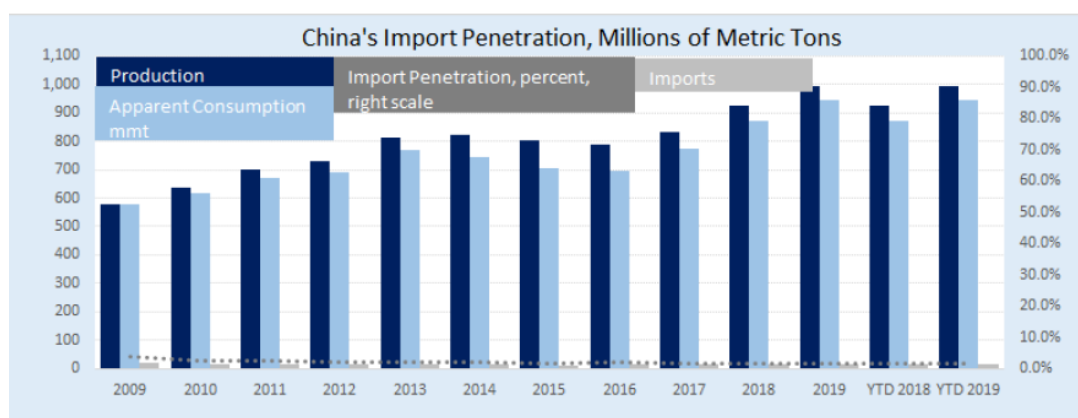


Figure 1: Steel imports in China²¹⁵

Conversely, China's exports of steel represent approximately 62 million tonnes in 2019 or about 6 per cent of its production.²¹⁶

The Commission considers the GOC's involvement 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, zinc coated (galvanised) steel and aluminium zinc coated steel markets. The issuance of planning guidelines and directives along with provisions of direct and indirect financial support^{217, 218} creates a domestic market that benefits domestic producers and supports inefficient enterprises, but does not support access and therefore competition from foreign producers.

²¹⁵ United States International Trade Administration, [Global Steel Trade Monitor, Steel Imports Report: China](#), May 2020

²¹⁶ United States International Trade Administration, [Global Steel Trade Monitor, Steel Exports Report: China](#), May 2020

²¹⁷ Support measures include stimulus programs, land and energy subsidies and soft lending policies.

²¹⁸ Duke Centre, *op cit* (172), p.24

The Commission acknowledges that China's supply side structural reform targets the structure of production, to make it more efficient and to balance the supply side of China's economy with the demand side.²¹⁹ It is a "...suite of policies focus[ing] on reducing distortions in the supply side of the [Chinese] economy and upgrading the industrial sector."²²⁰ China's steel industry has been a key focus of these policy reforms.

In short, the Chinese steel market is constructed such that preferential treatments, whether focussed at SOEs or not, creates a situation of "...competition for factors of production..."²²¹ rather than market driven competition based on price, service and value.

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

A.3 How GOC influence distorts the Chinese zinc coated (galvanised) steel market and aluminium zinc coated steel market

The Commission has found in the preceding section that the GOC exerts significant influence over the Chinese steel market. This section identifies the degree of that influence on HRC prices in China and therefore the cost of the primary steel input feed in the manufacture of zinc coated (galvanised) steel and aluminium zinc coated steel by Chinese producers.

In this section, the Commission will use verified data from cooperating exporters, Dongbu, Chung Hung, CSVC, Prosperity and Yieh Phui. This is on the basis that these exporters are from markets (Korea, Taiwan and Vietnam) that are characterised by a number of producers, buyers and sellers of HRC in an environment which, based on the evidence available, are free from distortions caused by government or other interference.²²²

A.3.1 Significance of HRC costs when producing zinc coated (galvanised) steel and aluminium zinc coated steel

HRC is the main raw material input (feed) in the production of zinc coated (galvanised) steel and aluminium zinc coated steel.

²¹⁹ <https://www.rba.gov.au/publications/bulletin/2018/dec/chinas-supply-side-structural-reform.html>

²²⁰ <https://www.rba.gov.au/publications/bulletin/2018/dec/chinas-supply-side-structural-reform.html>

²²¹ Dong Zhang and Owen Freestone, *China's Unfinished State-Owned Enterprise Reforms* (2013), *Economic Roundup*, The Treasury, Australian Government, issue 2, pages 79-102, December; at p.91

²²² It is noted in REP 370 in relation to zinc coated (galvanised) steel exported to Australia, the Commission found there was no particular market situation in Vietnam. In June 2020, the Commission initiated an investigation into the export of aluminium zinc coated steel to Australia from Korea, Taiwan and Vietnam. The applicant in that application alleged that there is a particular market situation in Vietnam. This investigation is still ongoing and no finding has yet been made. Majority of CSVC's HRC purchases during the recent review period were imported (i.e. not purchased from its domestic market in Vietnam).

The Commission verified the HRC costs associated with the production of zinc coated (galvanised) steel for cooperating exporters from China, Korea, Taiwan and Vietnam during the review period. In relation to aluminium zinc coated steel, the Commission verified the HRC costs associated with the production of the goods for cooperating exporters from China. The Commission found that HRC costs represent a significant and broadly consistent proportion of the cost to make zinc coated (galvanised) steel and aluminium zinc coated steel, as shown in Table 29.²²³

| | HRC for zinc coated (galvanised) steel | HRC for aluminium zinc coated steel |
|---------|--|-------------------------------------|
| China | 86% | 90% |
| Korea | 76% | |
| Taiwan | 82% | |
| Vietnam | 88% | |

Table 29: HRC cost as a proportion of zinc coated (galvanised) steel and aluminium zinc coated steel cost to make

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

The Commission understands that HRC commodity prices are used to make zinc coated (galvanised) steel and aluminium zinc coated steel selling and purchasing decisions, such that any decline in HRC prices results in lower offers (during negotiation) and selling prices for zinc coated (galvanised) steel and aluminium zinc coated steel. Because of its high cost proportion, the Commission considers that HRC is the main driver of the cost of zinc coated (galvanised) steel and aluminium zinc coated steel production and therefore heavily influences zinc coated (galvanised) steel and aluminium zinc coated steel prices.

A.3.2 Comparison of HRC prices in China, Korea, Taiwan and Vietnam

As a result of previous cases and after considering the evidence before it for this review, the Commission considers that normal competitive market conditions prevail in the Korean, Taiwanese and Vietnamese domestic markets for HRC and zinc coated (galvanised) steel.²²⁴ A comparison of HRC prices in India and Malaysia could not be conducted as there was no cooperating exporters from these two countries in relation to zinc coated (galvanised) steel (i.e. Review no. 521).

The Commission therefore considers that HRC purchases in Korea, Taiwan and Vietnam can be utilised to quantify the effect of GOC influence on Chinese HRC prices during the review period for zinc coated (galvanised) steel.

As China is the only subject country in relation to aluminium zinc coated steel (Review no. 522), there is no data regarding HRC purchases that is readily available from aluminium zinc coated steel exporters from other competitive markets. For the reasons outlined in section 4.5.2.3, the Commission has used the verified HRC prices of the cooperating zinc coated galvanised steel exporters.

²²³ While zinc is also a key raw material in the production of both zinc coated (galvanised) steel and aluminium zinc coated steel, the Commission found zinc costs as a proportion of the subject goods to be relatively small. Accordingly, the Commission is of the view that any influence or distortion by the GOC (if any) in the zinc market to be minimal or negligible toward the subject goods. Therefore, for the purpose of this assessment, further analysis on zinc costs or prices was not conducted.

²²⁴ REP 190, REP 370 refers.

The Commission notes that cooperating exporters of Chinese zinc coated (galvanised) steel sourced HRC solely from Chinese steel mills. The cooperating zinc coated (galvanised) steel producers in Korea, Taiwan and Vietnam sourced both domestically produced and imported HRC, with imported HRC coming from a range of sources. Imported HRC from China accounted for 0.2 per cent of the HRC purchases from exporters in Korea, Taiwan and Vietnam. Therefore the Commission is of the view that the use of Chinese HRC does not appear to materially affect the price of zinc coated (galvanised) steel in these three countries, because the proportion of Chinese HRC is negligible.

Nonetheless, in conducting the following analysis, the Commission has excluded HRC purchases from China to identify HRC prices in Korea, Taiwan and Vietnam that are, to the extent possible, not influenced by uncompetitive HRC prices from China.

The Commission compared the HRC prices which Chinese zinc coated (galvanised) steel producers paid in the review period with prices which exporters from Korea, Taiwan and Vietnam paid. The weighted average monthly price for all grades of HRC was calculated in RMB/MT at EXW. The Commission has also compared these prices to those reported for Shanghai EXW prices in the Platts HRC index.

The Commission's HRC analysis is at **Confidential Attachment 4**.

The Commission also performed a currency fluctuation analysis to ensure such fluctuations did not distort its price comparisons. The Commission assessed whether the Korean Won (KRW), New Taiwanese Dollar (NTD), Vietnamese dong (VND) and United States Dollar (USD) experienced sustained movements (as opposed to short-term currency fluctuations) against the RMB over the review period.²²⁵ There were no sustained currency movements in the period. Therefore, the Commission considers that converting the KRW, NTD and USD prices to an equivalent RMB price does not affect the comparison.

The Commission's currency fluctuation analysis is at **Confidential Attachment 20**.

The Commission's HRC analysis is at **Confidential Attachment 4**. The analysis demonstrates that cooperating zinc coated (galvanised) steel producers in Korea, Taiwan and Vietnam paid similar HRC prices in each month of the review period. This assessment holds regardless of whether that HRC originated from the producer's respective domestic market or was imported from known non-Chinese origins. Because of this similarity, the Commission has calculated a weighted average HRC price paid by zinc coated (galvanised) steel producers from these countries (with values unaffected by the market situation) to compare to Chinese HRC prices.

The result of the Commission's comparison is demonstrated in Figure 2.

²²⁵ While some domestic sales for CSVC were recorded in VND, based on the evidence presented to the Commission, it was found that CSVC traded mostly in USD. CSVC's normal value was calculated in USD.

HRC prices - China, Korea, Taiwan and Vietnam (from exporters of zinc coated (galvanised) steel)

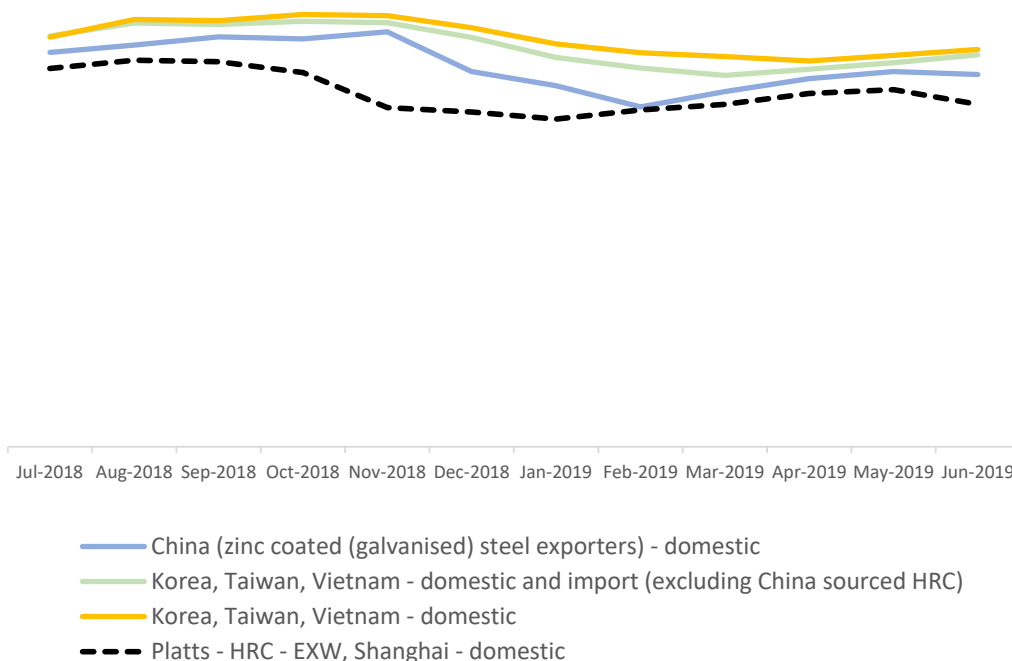


Figure 2: HRC prices (RMB/MT) – EXW – zinc coated (galvanised) steel

Figure 2 shows that HRC prices in China, whether purchased by the cooperating Chinese zinc coated (galvanised) steel producers or reported in the Platts HRC pricing data, are lower than equivalent prices for HRC purchased in Korea, Taiwan and Vietnam. The Commission considers that HRC prices in China, Korea, Taiwan and Vietnam all appear to follow a similar price trend. The Commission considers that the difference between prices represents the degree to which HRC prices in the Chinese domestic market have been distorted as a result of GOC influence.

In relation to aluminium zinc coated steel, because Zongcheng was a cooperating exporter in both of the reviews, the HRC purchases would be applicable to both reviews. In relation to the second cooperating exporter in Review no. 522, Huada, the Commission undertook a benchmark verification and was satisfied the data are reasonable and can be considered reliable for the purpose of ascertaining variable factors. However, as certain purchases of HRC could not be traced to specific dates, a month by month analysis could not be completed. Figure 3 below shows that the weighted average HRC purchase price for Huada and Zongcheng is well below the HRC purchase prices for cooperating zinc coated (galvanised) steel exporters from Korea, Taiwan and Vietnam.

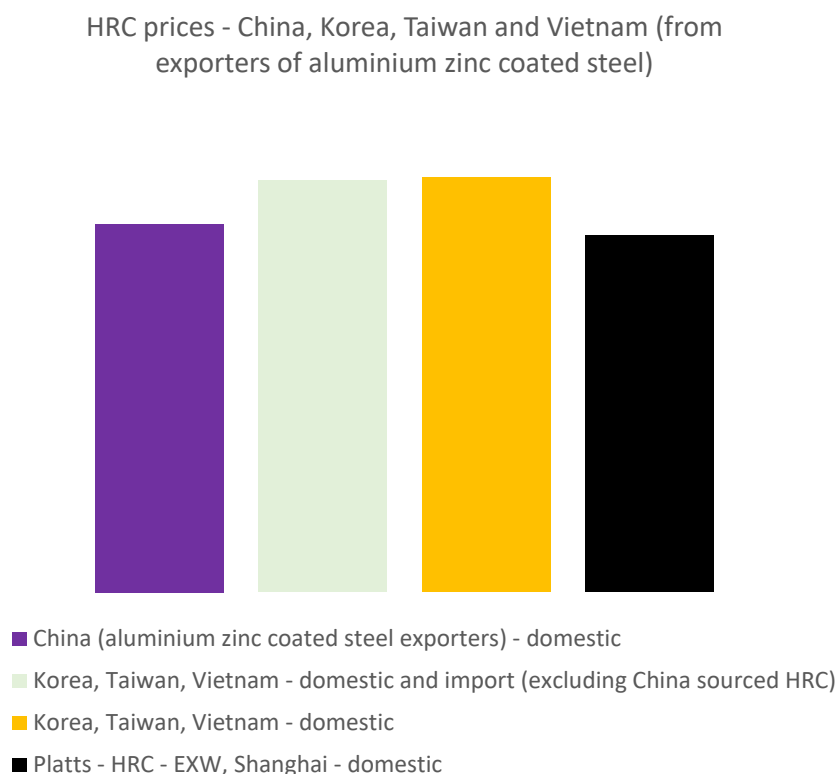


Figure 3: HRC prices (RMB/MT) – EXW – aluminium zinc coated steel exporters from China vs zinc coated (galvanised) steel exporters from Korean, Taiwan and Vietnam

As outlined in section 4.5.2.3. because zinc coated (galvanised) steel and aluminium zinc coated steel share similar characteristics and after considering the evidence before it in this review, the Commission considers that normal competitive market conditions prevail in the Korean, Taiwanese and Vietnam domestic markets for HRC such that the HRC prices purchased by these exporters of zinc coated (galvanised) steel is best available information before it to use as a comparison for aluminium zinc coated steel.

For these reasons and in the context of the Commission's analysis of the GOC's interference in the Chinese steel industry and market, the Commission considers that the HRC costs in the records of zinc coated (galvanised) steel and aluminium zinc coated steel exporters from China are not competitive market costs.

A.3.3 Comparison of zinc coated (galvanised) steel prices in China, Korea, Taiwan and Vietnam

The Commission compared domestic zinc coated (galvanised) steel prices of cooperating exporters from China, Korea, Taiwan and Vietnam in two ways (aggregated level and also by steel grade). Figure 4 below shows that domestic selling prices in China are lower than domestic selling prices in Korea, Taiwan and Vietnam.

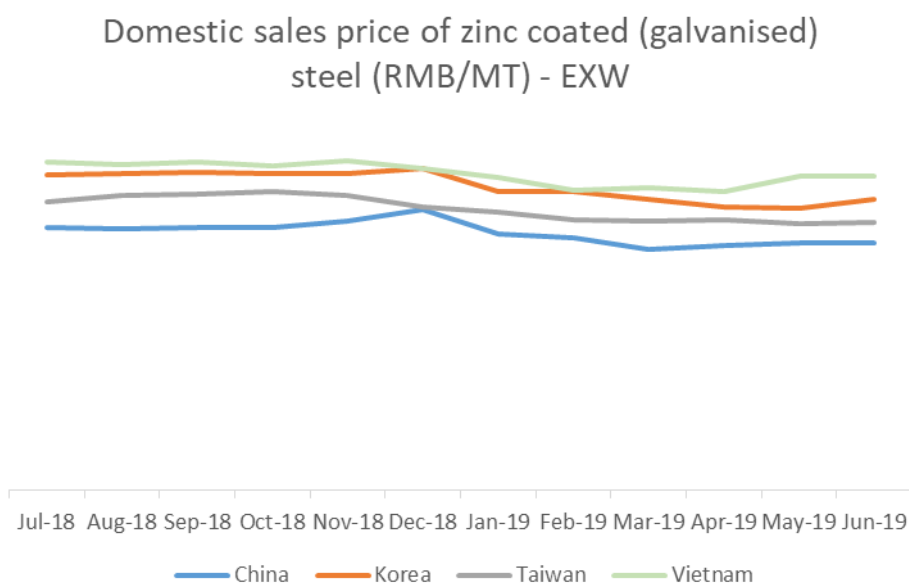


Figure 4: Domestic zinc coated (galvanised) steel price – All grades

Exporters sold various steel grades, with different BMT and coating mass. The Commission calculated weighted average monthly prices for all steel grades, BMT and coating mass, in RMB/MT at EXW, for exporters from China, Korea, Taiwan and Vietnam in their domestic markets. The Commission found that regardless of differences in steel grades, BMT or coating mass, the domestic selling price in China was always lower when compared with selling prices in Korea, Taiwan and Vietnam. This analysis is available at **Confidential Attachment 2**. Figure 5 shows the selling price for each market for the seven sub-categories of steel grade (MCC identifier A to G) as specified by the MCC structure for zinc coated (galvanised) steel.

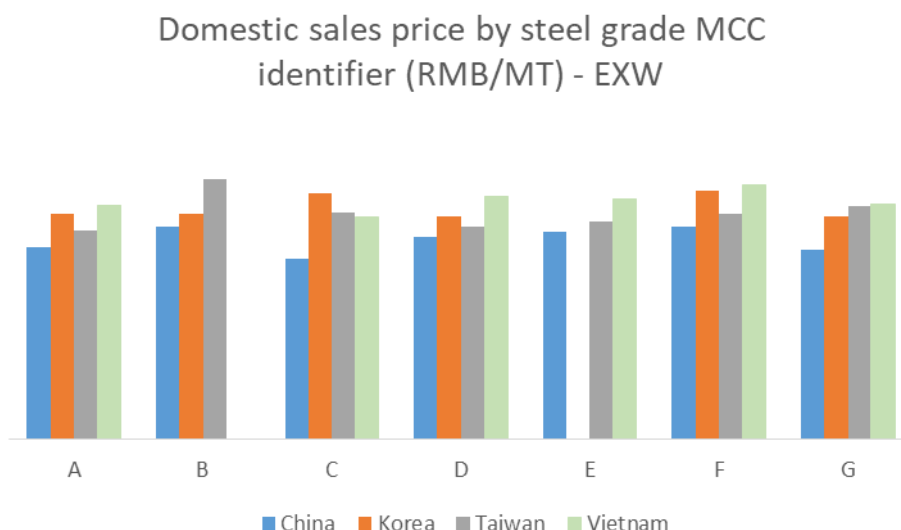


Figure 5: Domestic sales price by steel grade for China, Korea, Taiwan and Vietnam

The Commission observed that the steel grade MCC identifier A (i.e. G2/SGCC/SGHC) represented over 60 per cent of domestic sales during the review period by cooperating exporters in China, Korea, Taiwan and Vietnam. Therefore, the Commission considers steel grade MCC identifier A to be representative of the market, generally, for the purpose of the following analysis.

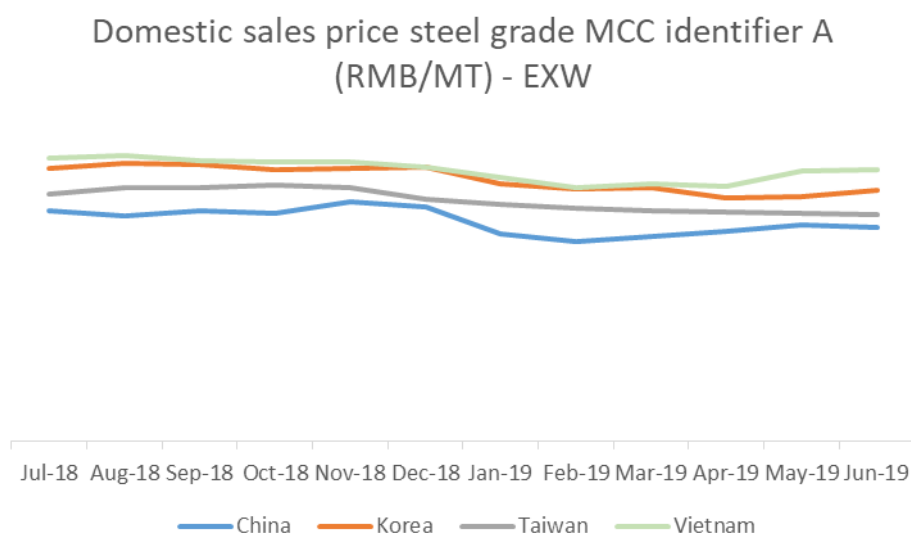


Figure 6: Domestic zinc coated (galvanised) steel price – steel grade MCC sub-category identifier A (RMB/MT)

Figure 6 demonstrates that Korea, Taiwan and Vietnam exhibit similar month-to-month pricing level in the review period, albeit pricing in Taiwan a gradually downward trend. It also shows that Chinese domestic zinc coated (galvanised) steel with steel grade MCC sub-category identifier A to be priced lower. The Commission's analysis in Figure 2, 4 and 6 shows that in China, zinc coated (galvanised) steel prices are closely aligned with the prevailing HRC prices and follow the same price trends over the review period. This is also true for cooperating exporters in Korea, Taiwan and Vietnam.

The Commission concludes that there is a strong correlation between HRC price and the subsequent price of zinc coated (galvanised) steel in the domestic markets of China, Korea, Taiwan and Vietnam.

The Commission considers that the difference between the zinc coated (galvanised) steel prices in China and the zinc coated (galvanised) steel prices in Korea, Taiwan and Vietnam represents the GOC influence on prices in the Chinese domestic market. The Commission finds from its analysis that similar distortions exist for other grades, BMT and coating mass of zinc coated (galvanised) steel.

This analysis is at **Confidential Attachment 2**.

In relation to aluminium zinc coated steel, as there is no other subject country to conduct a comparison, an analysis on domestic selling prices against prices of other competitive markets cannot be completed.

A.3.4 Conditions of competition in China

The Chinese domestic market for zinc coated (galvanised) steel is largely supplied by domestic producers and import penetration is low (as shown Figure 7). While the Commission does not have data regarding the total volume of zinc coated (galvanised) steel sold in the Chinese domestic market, Figure 7 shows the volume of exports of zinc coated (galvanised) steel to facilitate a comparison.



Figure 7: Zinc coated (galvanised) steel - imports and exports - China²²⁶

Figure 7 shows there is relatively low volume of imports when compared to the volume of exports and therefore this indicates there is low import penetration in the Chinese domestic market.

In relation to the Chinese domestic market for aluminium zinc coated steel, this is almost entirely supplied by domestic producers and import penetration is low (as shown in Figure 8). While the Commission does not have data regarding the total volume of zinc coated (galvanised) steel sold in the Chinese domestic market, Figure 8 shows the volume of exports of zinc coated (galvanised) steel to facilitate a comparison.

²²⁶ [International Trade Statistics](#) – Zinc coated (galvanised) steel identified to 6-8 digit HS code – will include some non-goods due to the nature of the description of the goods

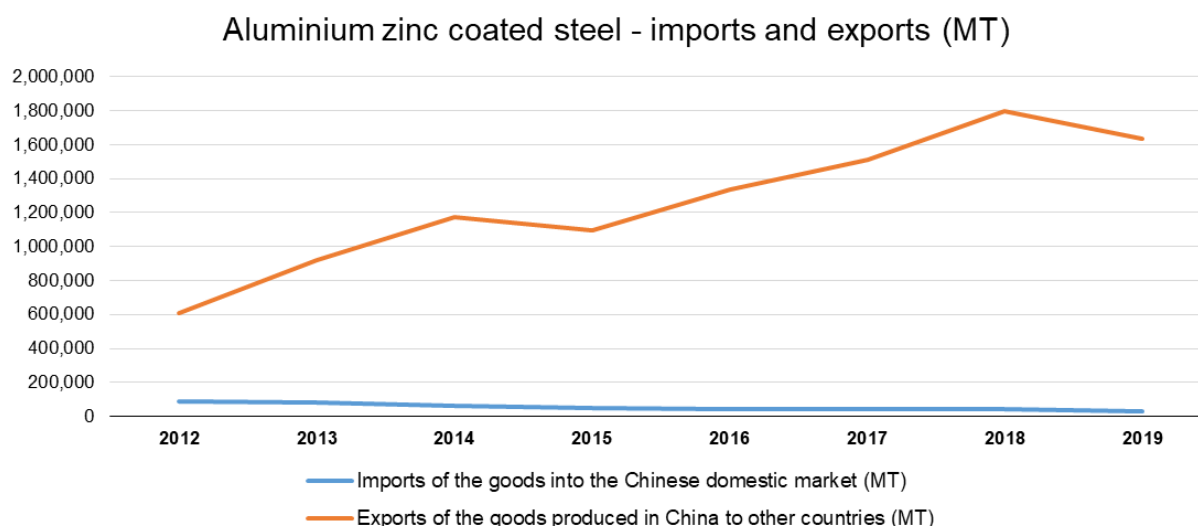


Figure 8: Aluminium zinc coated steel - imports and exports - China²²⁷

Figure 8 shows a small volume of imports when compared to the volume of exports and therefore this indicates there is low import penetration in the Chinese domestic market for aluminium zinc coated steel.

The Commission considers this low import penetration for both zinc coated (galvanised) steel and aluminium zinc coated steel demonstrates the influence of the GOC through the steel production and supply chain in China, such that producers in these two markets benefit from production incentives through soft lending, subsidies and low cost inputs to allow low prices for downstream industries. This, in turn, makes the Chinese zinc coated (galvanised) steel and aluminium zinc coated steel market unattractive for foreign firms who, are unable to sell at prices obtained in other markets and accordingly do not sell to China in any significant volumes.

The conditions described above in the Chinese steel industry, result in a competitive environment that sets prices primarily with reference to internal market conditions. There is little influence from external market forces. Rather, Chinese HRC producers are subject to internal market conditions, such as GOC influence over the Chinese steel market as detailed in section A.2, and compete for similar factors of production such as subsidies, financial support, land grants etc. In turn, the Chinese domestic HRC market generates prices which are substantially lower than occurs in competitive markets which cause comparable price reductions in zinc coated (galvanised) steel and aluminium zinc coated steel.

Because the above described GOC interference has resulted in distortions in the Chinese HRC and both zinc coated (galvanised) steel and aluminium zinc coated steel markets affecting all participants in the Chinese market in the same way, the Commission concludes that there is a particular market situation in the Chinese domestic market for zinc coated (galvanised) steel and aluminium zinc coated steel that has caused market distortions.

The Commission's analysis is at **Confidential Attachment 21**.

²²⁷ [International Trade Statistics](#) – Aluminium zinc coated steel identified to 6-8 digit HS code – will include some non-goods due to the nature of the description of the goods

NON-CONFIDENTIAL APPENDIX B – ASSESSMENT OF SUBSIDY PROGRAMS

B1 Finding

After assessing all relevant information available, the Commission has found that financial benefits²²⁸ were conferred to zinc coated (galvanised) steel producers from China and India, and aluminium zinc coated steel producers from China, in respect of the goods via countervailable subsidy programs.

B2 Relevant legislation

Section 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

²²⁸ Sections 269TACC(2)(a) and (b).

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- (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 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

China

In assessing the alleged subsidy programs relevant to China, the Commission has considered information provided in the REQs and gathered during verification activities. This includes information provided by exporters regarding whether they 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 GOC questionnaire response and has therefore relied, where relevant, and in addition to the relevant information provided by exporters from China, on subsidy programs identified in *International Trade Remedies Branch Report No. 193*, *Anti-Dumping Commission Report No. 316*, *Anti-Dumping Commission Report No. 379*, *Anti-Dumping Commission Report No. 456/457*, *Anti-Dumping Commission Report No. 449/450*, *Anti-Dumping Commission Report No. 500* and *Anti-Dumping Commission Report No. 519* in its assessment of whether benefits received from exporters from China are countervailable.

India

In assessing the alleged subsidy programs relevant to India, the Commission has considered information provided by the GOI in its response to the government questionnaire, ²²⁹ publicly available information from GOI websites, WTO, and information provided by exporters from India in *Anti-Dumping Commission Report No. 370*.

²²⁹ EPR 521 document no. 016.

B4 Existing subsidy programs in respect of aluminium zinc coated steel and zinc coated (galvanised) steel – China

B4.1 Summary of existing subsidy programs relevant to both aluminium zinc coated steel and zinc coated (galvanised) steel

There are 36 existing subsidy programs which currently apply to both zinc coated (galvanised) steel and aluminium zinc coated steel exported from China, having first been assessed together in Investigation No. 193. The findings in relation to all 36 existing programs relevant to both the subject goods exported from China, and the Commission's preliminary assessment of the countervailability of each, is outlined in Table B.1. An overview of the Commission's considerations with respect to these existing programs follows Table B.1.

In relation to aluminium zinc coated steel, one exporter examined by the Commission was in receipt of existing subsidies in the review period. The Commission has reviewed the information provided by the Chinese exporter, Huada, and found that of the 16 unique programs identified by the Commission, 6 were identical to existing programs already assessed by the Commission in previous inquiries. Specifically, and as relevant to the 36 existing subsidy programs assessed with respect to both aluminium zinc coated steel and galvanised steel as outlined in Table B.1, Huada was found to be in receipt of subsidies with respect to Program 10. The Commission has identified this program in Table B.1 (the remaining 5 programs are considered in section B4.2).

| No. ²³⁰ | Program name | Program type | Countervailable in relation to the goods? (Yes/No) | |
|--------------------|--|----------------------|--|--------------------------------|
| | | | Aluminium zinc coated steel | Zinc coated (galvanised) steel |
| 1 | Hot rolled steel provided by government at less than fair market value | Tax and raw material | Yes | Yes |
| 2 | Coking coal provided by government at less than adequate remuneration | Tax and raw material | Yes | Yes |
| 3 | Coke provided by government at less than adequate remuneration | Tax and raw material | Yes | Yes |
| 4 | Preferential tax policies enterprises with foreign investment established in the coastal economic open areas and in the economic and technological development zones | Tax | Yes | Yes |
| 5 | Preferential tax policies for foreign invested enterprises - reduced tax rate for productive FIEs scheduled to operate for a period of not less than 10 years | Tax | Yes | Yes |

²³⁰ The program numbers are those used in Investigation No. 193.

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| No. ²³⁰ | Program name | Program type | Countervailable in relation to the goods? (Yes/No) | |
|--------------------|---|--------------|--|--------------------------------|
| | | | Aluminium zinc coated steel | Zinc coated (galvanised) steel |
| 6 | Preferential tax policies enterprises with foreign investment established in special economic zones (excluding Shanghai Pudong area)/ Preferential Tax Policies for Enterprises with Foreign Investment which are Technology- Intensive and Knowledge Intensive | Tax | Yes | Yes |
| 7 | Preferential tax policies enterprises with foreign investment established in Pudong area of Shanghai | Tax | Yes | Yes |
| 8 | Preferential Tax Policies for Western Development "Go West" strategy | Tax | Yes | Yes |
| 9 | Land Use Tax Deduction | Grant | Yes | Yes |
| 10 | Preferential Tax Policies for High and New Technology Enterprises | Tax | Yes [#] | Yes |
| 11 | VAT and tariff exemptions on imported equipment | Tax | Yes | Yes |
| 12 | One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China' | Grant | Yes | Yes |
| 13 | Matching Funds for International Market Development for Small and Medium Enterprises | Grant | Yes | Yes |
| 14 | Superstar Enterprise Grant | Grant | Yes | Yes |
| 15 | Research & Development (R&D) Assistance Grant | Grant | Yes | Yes |
| 16 | Patent Award of Guangdong Province | Grant | Yes | Yes |
| 17 | Innovative Experimental Enterprise Grant | Grant | Yes | Yes |
| 18 | Special Support Fund for Non-State-Owned Enterprises (NSOE) | Grant | Yes | Yes |
| 19 | Venture Investment Fund of Hi-Tech Industry | Grant | Yes | Yes |
| 20 | Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment | Grant | Yes | Yes |
| 21 | Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan | Grant | Yes | Yes |
| 22 | Water Conservancy Fund Deduction | Grant | Yes | Yes |

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| No. ²³⁰ | Program name | Program type | Countervailable in relation to the goods? (Yes/No) | |
|--------------------|--|--------------|--|--------------------------------|
| | | | Aluminium zinc coated steel | Zinc coated (galvanised) steel |
| 23 | Wuxing District Freight Assistance | Grant | Yes | Yes |
| 24 | Huzhou City Public Listing Grant | Grant | Yes | Yes |
| 25 | Huzhou City Quality Award | Grant | Yes | Yes |
| 26 | Huzhou Industry Enterprise Transformation & Upgrade Development Fund | Grant | Yes | Yes |
| 27 | Wuxing District Public List Grant | Grant | Yes | Yes |
| 28 | Anti-dumping Respondent Assistance | Grant | Yes | Yes |
| 29 | Technology Project Assistance | Grant | Yes | Yes |
| 30 | Capital injection | Grant | Yes | Yes |
| 31 | Environmental Protection Grant | Grant | Yes | Yes |
| 32 | High and New Technology Enterprise Grant | Grant | Yes | Yes |
| 33 | Independent Innovation and High-Tech Industrialisation Program | Grant | Yes | Yes |
| 34 | VAT Refund on Domestic Sales by Local Tax Authority | Tax | Yes | Yes |
| 35 | Environmental Prize | Grant | Yes | Yes |
| 36 | Jinzhou District Research and Development Assistance Program | Grant | Yes | Yes |

#: Existing programs received by exporter Huada in relation to aluminium zinc coated steel

Table B.1 Summary of existing programs relevant to Chinese producers of both aluminium zinc coated steel and zinc coated (galvanised) steel

B4.1.1 Assessment of existing LTAR programs

Programs 1 to 3 were found to be countervailable in Investigation No.193 with respect to Chinese exporters of aluminium zinc coated steel and zinc coated (galvanised) steel.²³¹ However, following a review of the findings made in Investigation No. 193 by the ADRP, the countervailing duty notice was altered so as to reduce the applicable countervailable subsidies by the amounts referable to Programs 1 to 3 as described in REP 193,²³² with retrospective effect from 5 August 2013. The ADRP found that the then International Trade Remedies Branch of the Australian

²³¹ REP 193 investigated the subsidisation of aluminium zinc coated steel and galvanised steel exported from China. Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in the one report.

²³² ADN 2014/12.

Customs and Border Protection Service did not have a sufficient basis for finding that the state invested enterprises (SIEs) producing hot rolled coil (HRC), coking coal or coke could be considered public bodies in the meaning of section 269T(1).²³³

Subsequently, the countervailability of Programs 1 to 3 have been the subject of examination by the Commission with respect to zinc coated (galvanised) steel and aluminium zinc coated steel, and other goods besides the subject goods, exported from China to Australia. Most recently, the Commission found that:

- In a Review of Anti-Dumping Measures in relation to hollow structural sections exported to Australia from China which concluded in 2018,²³⁴ a program entitled 'Hot rolled steel provided by government at less than fair market value' (corresponding to Program 1 as per Table B.1, but designated Program 20 in *Anti-Dumping Commission Report No. 419*) was countervailable;
- In Investigation 466 in relation to railway wheels exported to Australia from China which concluded in 2019,²³⁵ a program entitled 'Coking coal provided by government at less than adequate remuneration' (corresponding to Program 2 as per Table B.1, and designated Program 2 in *Anti-Dumping Commission Termination Report No. 466*) was countervailable; and
- In Investigation 322 and 331 in relation to steel reinforcing bar and rod in coils, respectively, exported to Australia from China, both of which concluded in 2016,²³⁶ a program entitled 'Coke provided by government at less than adequate remuneration' (corresponding to Program 3 as per Table B.1, and designated Program 3 in *Anti-Dumping Commission Report No. 322* and *Anti-Dumping Commission Report No. 331*) was countervailable.

Each of the aforementioned inquiries also assessed whether SIE's constitute public bodies in the meaning of section 269T(1) and found that SIE's producing steel raw materials continued to be considered as 'public bodies' for the purposes of the definition of 'subsidy' under the Act.

The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in previous inquiries and, in conjunction with the assessment of SIEs as public bodies for the current review (refer to Non-Confidential Appendix C), wherein it was found that SIE's constitute public bodies in the meaning of section 269T(1), the Commission has maintained its position that Programs 1 to 3 are countervailable. No amount of countervailable subsidy was determined in relation to Programs 1 to 3 for the cooperative exporters during the review period.

The Commission has examined the cooperating exporters' data and found that, since none are vertically integrated and because coke and coking coal are not inputs to their production, none of the cooperating exporters could be in receipt of Programs 2 or 3. As such, the Commission does not have sufficient relevant information to find that any exporters of the goods from China would have received a benefit in respect of Programs 2 and 3. Therefore, the Commission has excluded Programs 2 and 3 from the calculation of the uncooperative subsidy rate.

²³³ ADRP recommendation report titled *Zinc Coated (Galvanised) Steel & Aluminium Zinc Coated Steel exported from the People's Republic of China*, 15/11/2013.

²³⁴ EPR 419.

²³⁵ EPR 466.

²³⁶ EPR 322 and EPR 331.

On consideration of Program 1, HRC is the other relevant input to the production of the goods and the input relevant to the cooperating exporters of the goods from China. None of the cooperative exporters were found to have been in receipt of a benefit under Program 1. The Commission considers that HRC is a relevant input for non-cooperative exporters of the goods from China and that non-cooperative exporters have been in receipt of a benefit under Program 1.

B4.1.2 Assessment of existing preferential tax policies

8.1.1.1 Programs 4-8

Programs 4-8 were found to be countervailable in the Investigation No. 193 and again in subsequent reviews for both aluminium zinc coated steel and zinc coated (galvanised) steel.

The Commission is not aware of the current status of the existing preferential tax policies given that the GOC has declined to participate in the current reviews. Furthermore, the REQs submitted by exporters did not provide any new information in regard to these policies.

The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in previous inquiries, and has therefore maintained its position that these programs are countervailable.

No amount of countervailable subsidy was determined in relation to Programs 4-8 for the selected cooperative exporters during the review period.

8.1.1.2 Program 10

Program 10 was found to be countervailable in the Investigation No. 193 and again in subsequent reviews for both aluminium zinc coated steel and zinc coated (galvanised) steel.

The Commission's verification of selected cooperative exporters established that subsidies had been received under Program 10 during the review period for aluminium zinc coated steel. On the basis of the Commission's previous findings in relation to Program 10 and the exporter's disclosure during this review, the Commission finds that Program 10 is countervailable with respect to aluminium zinc coated steel.

In accordance with section 269TACD(1), the amount of the subsidy has been determined as the amount of the grant received by the recipient exporter in the review period, that being Huada in relation to aluminium zinc coated steel.

In accordance with section 269TACD(2), the subsidy margin for this program has been calculated based on the unit subsidy amount attributed to the goods as a percentage of the ascertained export price for Huada. The subsidy amount attributed to the goods has been calculated, in the absence of exports to Australia, as the proportion of the volume of sales of like goods (domestic and third country exports) to the volume of all products sold.

The Commission is not aware of the current status of Program 10 with respect to zinc coated (galvanised) steel, however given that the GOC has declined to participate in the inquiry, and that Program 10 has been found countervailable with respect to aluminium zinc coated steel in this current review, the Commission has therefore maintained its position that this program is countervailable with respect to zinc coated (galvanised) steel.

B4.1.3 Assessment of existing tariff and VAT exemptions

Programs 11 and 34 were found to be countervailable in the Investigation No. 193 and again in subsequent reviews for both aluminium zinc coated steel and zinc coated (galvanised) steel.

The Commission is not aware of the current status of these programs given that the GOC has declined to participate in this review. Furthermore, the REQs submitted by exporters did not provide any new information in regard to these programs. The Commission considers it likely that these same or very similar programs are still operating in China and are either no longer being received by the selected cooperating exporters or were declared under new program titles.

The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in the previous inquiries, and has therefore maintained its position that these programs are countervailable.

No amount of countervailable subsidy was determined in relation to these programs for the cooperative exporters during the review period.

B4.1.4 Assessment of existing grant programs

Programs 9, 12 to 33 and 35 to 36 were found to be countervailable in the Investigation No. 193 and again in subsequent reviews for both aluminium zinc coated steel and zinc coated (galvanised) steel.

The Commission is not aware of the current status of the existing programs given that the GOC has declined to participate in this review. Furthermore, the REQs submitted by exporters did not provide any new information in regard to these programs. The Commission considers it likely that these same or very similar programs are still operating in China and are either no longer being received by the selected cooperating exporters or were declared under new program titles.

The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in the previous inquiries, and has therefore maintained its position that these programs are countervailable.

No amount of countervailable subsidies were determined in relation to these programs for the cooperative exporters during the review period.

B4.2 Summary of existing subsidy programs relevant to aluminium zinc coated steel

In addition to the 36 existing subsidy programs described and assessed in section B4.1, there are 48 programs which currently apply exclusively to aluminium zinc coated steel exported from China that were assessed subsequent to Investigation No. 193. That is, there are a total of 84 existing subsidy programs which are relevant to aluminium zinc coated steel. The findings in relation to these additional 48 existing programs as relevant to aluminium zinc coated steel exported from China, and the Commission's preliminary assessment of the countervailability of each program, is outlined in **Table B.2**. An overview of the Commission's considerations with respect to these existing programs follows Table B.2.

One exporter of aluminium zinc coated steel examined by the Commission was in receipt of existing subsidies in the review period. The Commission has reviewed the information provided by the Chinese exporter Huada and found that of the 16 unique programs identified by the Commission, 6 were identical to existing programs already assessed by the Commission in previous inquiries. Specifically, and as relevant to existing subsidy programs exclusive to aluminium zinc coated steel as outlined in **Table B.2**, Huada was found to be in receipt of subsidies with respect to Programs 75, and 81 to 84. The Commission has identified each of these existing programs in Table B.2 (the other existing program, which is relevant to both aluminium zinc coated steel and zinc coated (galvanised) steel, is considered in section B4.1).

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| No. ²³⁷ | Program name | Program type | Countervailable in relation to aluminium zinc coated steel? (Yes/No) |
|--------------------|---|--------------|--|
| 37 | Assistance for fixed assets investment project | Grant | Yes |
| 38 | Funding for “application of high precision optical comb coherent imaging analyser and its engineering development” | Grant | No |
| 39 | Funding for “ship ballast tank resistant microbial corrosion steel and its application technology research” | Grant | No |
| 40 | Patent expenses assistance | Grant | Yes |
| 41 | Funding for “study on stability of multi-level nanostructure and industrial application exploration for part of the multi-level nano-metal materials” | Grant | No |
| 42 | Funding for “composite rolling technology of high-performance composite steel materials manufacturing technology research” | Grant | No |
| 43 | High-tech achievement financial support fund | Grant | Yes |
| 44 | Funding for “research and development of control model and process key technology in metallurgical process” | Grant | Yes |
| 45 | Funding for “development and application research on slab continuous casting crystal multi-magnetic field control device” | Grant | Yes |
| 46 | Funding for “high-efficiency, low-loss silicon steel research and development” | Grant | No |
| 47 | Funding for “arctic and ultra-low temperature marine steel research and applications” | Grant | No |
| 48 | Funding for “sintering machine intelligent multi-component pollutant flue gas treatment island” | Grant | Yes |
| 49 | Financial funds for “high-strength spring steel and cutting steel key-tech development and application demonstration” | Grant | No |
| 50 | Funding for “high-precision shipboard key manufacturing technology research” | Grant | No |
| 51 | Financial funds for the special adjustment of industrial enterprises structural adjustment | Tax | Yes |
| 52 | Promotion special funds of Shanghai | Grant | Yes |
| 53 | Trade remedy cases legal fee assistance | Grant | Yes |

²³⁷ The program numbers follow from those used in Investigation No. 193.

PUBLIC RECORD

| No. ²³⁷ | Program name | Program type | Countervailable in relation to aluminium zinc coated steel? (Yes/No) |
|--------------------|---|--------------|--|
| 54 | Funding for “technology research on thick plate continuous casting large pressure and slab internal quality control” | Grant | No |
| 55 | Funding for “research and development of continuous heat treatment of new heating and cooling technology” | Grant | Yes |
| 56 | Environmental protection assistance allocated from Shanghai Municipal Environmental Protection Bureau | Grant | Yes |
| 57 | Environmental protection special funds - mine OC, OD material C-type closed transformation and coal field E, F material conversion silo project in phase I and II | Grant | Yes |
| 58 | Decentralized jobs | Grant | Yes |
| 59 | Funding for “key technology research on risk prevention and control of special equipment with high parameter and pressure” | Grant | No |
| 60 | Special funds by the Shanghai Municipal Human Resources and Social Security Bureau | Grant | Yes |
| 61 | Income tax return paid by the Shibao Mountain District Finance Bureau | Tax | Yes |
| 62 | 2016 Shanghai Skills Master Studio construction and additional assistance by Shanghai Municipal Employment Promotion Centre | Grant | Yes |
| 63 | Sulfur dioxide over-emission awards | Grant | Yes |
| 64 | Funding for “renovation project relating to seamless steel tube plant finishing area” | Grant | No |
| 65 | Funding for “localization development project of large diameter and high - grade pipeline pipe forming mould for oil and gas transportation” | Grant | No |
| 66 | Funding for “steel products, energy conservation & environment protection comprehensive technology upgrade project” | Grant | Yes |
| 67 | Funding for “no. 3 sintering machine flue gas desulfurization project” | Grant | Yes |
| 68 | Industrial adjustment and revitalization special guidance fund | Grant | Yes |
| 69 | Stable employment assistance – good jobs subsidy | Grant | Yes |
| 70 | 2016 government assistance (Yuhuatai District) | Grant | Yes |
| 71 | 2016 scientific and technological achievements for industrialization fund | Grant | Yes |

SEF 521 and 522 – Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel

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| No. ²³⁷ | Program name | Program type | Countervailable in relation to aluminium zinc coated steel? (Yes/No) |
|--------------------|---|--------------|--|
| 72 | New industry guidance special fund | Grant | Yes |
| 73 | Patent special fund of Zhejiang Province | Grant | Yes |
| 74 | Matching Funds for International Market Development for small and medium size enterprises | Grant | Yes |
| 75 | Special Funds for Promoting Employment of Employment Management Service Office in Fuyang District of Hangzhou City | Grant | Yes [#] |
| 76 | Capital market supporting fund | Grant | Yes |
| 77 | Patent special fund of Hangzhou City | Grant | Yes |
| 78 | Patent special fund of Hangzhou Fuyang | Grant | Yes |
| 79 | Foreign trade development fund of Central government | Grant | Yes |
| 80 | Open economy subsidy of Hangzhou Fuyang | Grant | Yes |
| 81 | Finance Subsidy Fund of Hangzhou Fuyang District Finance Bureau for the Pilot Project of Factory Internet of Things and Industrial Internet in 2017 | Grant | Yes [#] |
| 82 | Subsidy for 1,000,000 tonne precision cold rolled plate project | Grant | Yes [#] |
| 83 | Subsidy for 1,000,000 tonne precision cold rolled plate project (Phase two) | Grant | Yes [#] |
| 84 | Reconstruction of coal-fired boilers with 10 or less tons of steam | Grant | Yes [#] |

[#]: Existing programs received by exporter Huada in relation to aluminium zinc coated steel

Table B.2 Summary of additional existing subsidy programs relevant to Chinese producers of aluminium zinc coated steel

B4.2.1 Assessment of existing preferential tax policies relevant to aluminium zinc coated steel

Program 51 and 61 were first found to be countervailable in Review Nos. 409 and 410 in relation to aluminium zinc coated steel exported from China and have not subsequently been reassessed.

The Commission is not aware of the current status of the existing preferential tax policies given that the GOC has not participated in this review. Furthermore, the REQs submitted by exporters did not provide any new information in regard to these policies.

The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in previous inquiries, and has therefore maintained its position that these programs are countervailable.

No amount of countervailable subsidy was determined in relation to Programs 51 and 61 for the selected cooperative exporters during the review period.

SEF 521 and 522 – Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel

B4.2.2 Assessment of existing grant programs relevant to aluminium zinc coated steel

8.1.1.3 Grant programs where no benefit received in review period - Programs 37 to 50, 52 to 60, 62 to 74, and 76 to 80

Programs 37 to 50, 52 to 60 and 62 to 72 were first assessed by the Commission in Review nos. 409 and 410 wherein Programs 37, 40, 43 to 45, 48, 52 to 53, 55 to 58, 60, 62, 63, 66 to 72 were found to be countervailable. Programs 73 to 74 and 76 to 80 were first assessed and found countervailable by the Commission in Accelerated Review No. 519.²³⁸

The Commission is not aware of the current status of Programs 37 to 50, 52 to 60 and 63 to 69, 72, 76 to 77 and 80 given that the GOC has declined to participate in this review. Furthermore, the REQs submitted by exporters did not provide any new information in regard to these programs. The Commission considers it likely that these same or very similar programs are still operating in China and are either no longer being received by the selected cooperating exporters or were declared under new program titles. The Commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in the previous inquiries, and has therefore maintained its position that these programs are countervailable.

Programs 62, 70, 71, 73, 74, 78 and 79 appear to relate to particular periods of time (e.g. particular calendar years) which are prior to the review period. The Commission considers that these programs are no longer relevant or have been superseded (programs which have superseded some of these programs have been assessed as new programs in section B5.2). As such, the findings made in prior inquiries regarding the countervailability of Programs 62, 70, 71, 73, 74, 78 and 79 is maintained, however since the Commission considers that no exporters could have benefited from these programs in the review period (no exporters received benefits from these programs in the review period), they have not been included in the calculation of the non-cooperative subsidy rate for exporters of aluminium zinc coated steel from China.

No amount of countervailable subsidy was determined in relation to these programs for the selected cooperative exporters during the review period.

8.1.1.4 Grant programs where benefit received in review period - Programs 75 and 81 to 84

Programs 75 and 81 to 84 were first assessed and found countervailable by the Commission in Accelerated Review No. 519.²³⁹ There has been no subsequent assessment of these grant programs.

The Commission's verification of selected cooperative exporters subject to the review period established that subsidies had been received under program 75 and 81 to 84 during the review period. On the basis of the Commission's previous findings in relation to program 75 and 81 to 84 and the exporters' disclosure during this review, the Commission finds that program 75 and 81 to 84 are countervailable with respect to aluminium zinc coated steel exported from China.

In accordance with section 269TACD(1), the amount of the subsidy has been determined as the amount of the grant received by the recipient exporter in the review period, that being Huada in relation to aluminium zinc coated steel.

In accordance with section 269TACD(2), the subsidy margin for this program has been calculated based on the unit subsidy amount attributed to the goods as a percentage of the ascertained

²³⁸ The program numbers used in Accelerated Review No. 519 differ from those used in the present review.

²³⁹ The program numbers used in Accelerated Review No. 519 differ from those used in the present review.

export price for Huada. The subsidy amount attributed to the goods has been calculated, in the absence of exports to Australia, as the proportion of the volume of sales of like goods (domestic and third country exports) to the volume of all products sold.

B5 New subsidy programs – China

B5.1 Assessment of new subsidy programs considered in respect of zinc coated (galvanised) steel

The Commission examined one new subsidy program with respect to zinc coated (galvanised) steel, as identified during the course of the review. This program has not been assessed by the Commission previously. The Commission has assessed this program, received by the Chinese exporter Hongshun during the review period, and identified whether the program is countervailable with respect to the goods. The Commission's assessment of the subsidy programs and the evidence relied upon by the Commission is outlined in **Table B.3**.

| Program Number ²⁴⁰ | Program Name | Program Type | Countervailable in relation to zinc coated (galvanised) steel (Yes/No) |
|-------------------------------|-------------------------|--------------|--|
| 37 | Enterprise support fund | Grant | Yes |

Table B.3 Summary of new subsidy programs assessed by the Commission in relation to Chinese producers of zinc coated (galvanised) steel

In assessing the reported subsidy program in relation to zinc coated (galvanised) steel, the Commission notes that it did not receive a government questionnaire response from the GOC. Consequently, the Commission has relied on the available relevant information in assessing the reported subsidy program.

In particular, on the basis that the GOC did not provide information establishing the objectivity of the eligibility criteria, the Commission under section 269TAACA(1) has made assumptions based on all available facts and therefore does not consider that this program is not specific on the basis of being established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification.²⁴¹

B5.1.1 Program 37 – Enterprise support fund

Background

Hongshun provided relevant information in relation to this program. The Commission understands this program to be a return of taxes paid by the company, awarded to encourage the establishment of and investment by the enterprise.

Legal Basis

The Commission is not aware of any legal basis for this program.

²⁴⁰ The program numbers are those which follow from Investigation No. 193 as relevant to galvanised steel.

²⁴¹ Section 269TAAC(3)(a) of the Act.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁴²

Eligibility Criteria

The Commission is not aware of any eligibility criteria for entities receiving this grant. The Commission understands that the issuing body awarded the grant, the details of which were negotiated with the issuing body, to support a newly established enterprise.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the Guan County Chongwen Street Administration Office. On the basis of the information before the Commission, Guan County Chongwen Street Administration Office is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity with respect to its corporate tax obligations.

The Commission has determined that Hongshun received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from Guan County Chongwen Street Administration Office and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises, that being new enterprises, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(3) provides the conditions for when a subsidy is not specific.

Section TAAC(3) of the Act states that, subject to section 269TAAC(4), all the following conditions must be satisfied in determining whether a subsidy is not specific:

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

²⁴² The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

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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.

In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours new enterprises over existing enterprises. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this program is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Hongshun.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2 Assessment of new subsidy programs in respect of aluminium zinc coated steel

Of the 16 unique programs identified by the Commission in the current review, ten were new programs that have not previously been assessed by the Commission. Of the ten new programs not previously assessed by the Commission, 9 have been found countervailable in respect of aluminium zinc coated steel. The Commission has summarised in Table B.4 each of these new programs which Chinese exporter Huada received during the review period and identified whether they have been found to be countervailable with respect to the goods. The Commission's assessment of the subsidy programs and the evidence relied upon by the Commission is outlined in Table B.4.

| Program Number²⁴³ | Program Name | Program Type | Countervailable in relation to aluminium zinc coated steel?(Yes/No) |
|-------------------------------------|---|---------------------|--|
| 85 | Special Fund for the Creation, Protection and Management of Intellectual Property Rights in Zhejiang Province in 2018 | Grant | Yes |
| 86 | Central Special Fund for Foreign Economic and Trade Development in 2018 | Grant | Yes |
| 87 | Water-saving subsidy in Zhejiang Province | Grant | Yes |
| 88 | Safety Production Standardization Level II | Grant | Yes |
| 89 | Patent Funding in 2018 | Grant | Yes |
| 90 | Commendation fund | Grant | Yes |
| 91 | Special Subsidy Fund for Open Economy and Finance in 2018 | Grant | Yes |

²⁴³ The program numbers of new programs follow from Investigation No. 193 and Review nos. 409 and 410 as relevant to aluminium zinc coated steel.

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| | | | |
|----|--|--------------------------|-----|
| 92 | Financial Support Funds for Key Industrial Inputs and Machine Replacement Projects in 2018 | Grant | Yes |
| 93 | Employee Unemployment Insurance Fund | Grant | Yes |
| 94 | Deduction and withholding of tax handling fees | Direct transfer of funds | No |

Table B.4 Summary of benefits received by Chinese exporter Huada from programs not previously assessed by the Commission

In assessing the reported subsidy programs in relation to aluminium zinc coated steel, the Commission notes that it did not receive a government questionnaire response from the GOC. Consequently, the Commission has relied on the available relevant information in assessing the reported subsidy program.

In particular, on the basis that the GOC did not provide information establishing the objectivity of the eligibility criteria, the Commission under section 269TAACA(1) has made assumptions based on all available facts and therefore does not consider that the programs are not specific on the basis of being established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification.²⁴⁴

B5.2.1 Program 85 – Special Fund for the Creation, Protection and Management of Intellectual Property Rights in Zhejiang Province in 2018

Background

Huada provided relevant information in relation to this program, described as: Special Fund for the Creation, Protection and Management of Intellectual Property Rights in Zhejiang Province, 2018, Science and Technology Bureau of Fuyang District, Hangzhou City.

This program appears to be similar to Program 73 – Patent special fund of Zhejiang Province, as assessed in Accelerated Review No. 519,²⁴⁵ however its period of operation appears to differ from that program.

Legal Basis

Huada reported the legal basis for the subsidy:

- Notice of Finance Bureau of Fuyang District, Hangzhou, Fuyang District and Bureau of Science and Technology of Fuyang District, Hangzhou City on the Allocation of Special Funds for the Creation and Protection of Intellectual Property Rights in Zhejiang Province in 2018; and
- Legislation name/number: Fuke (2018) No. 40; Fucaiqi (2018) No. 679.

²⁴⁴ Section 269TAAC(3)(a) of the Act.

²⁴⁵ Designated Program 37 in REP 519.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁴⁶

Eligibility Criteria

The Commission is not aware of any eligibility criteria for entities receiving this grant other than being limited to enterprises operating in Zhejiang Province.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the special subsidy fund of Zhejiang Province public finance of the Zhejiang Provincial Government, as administered by the Finance Bureau and Bureau of Science and Technology of Fuyang District.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for creating, protecting and managing intellectual property.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection with the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the applicant because it involves a direct financial payment from the Zhejiang Provincial Government, and this would therefore confer a benefit in relation to the goods. The Commission therefore considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to particular enterprises located in a designated region, being Zhejiang Province. Zhejiang Province is within the jurisdiction of the subsidising authority, the Zhejiang Provincial Government, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises located in Zhejiang Province. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

²⁴⁶ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the Commission has determined the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.2 Program 86 – Central Special Fund for Foreign Economic and Trade Development in 2018

Background

Huada provided relevant information in relation to this program, described as: Business Bureau of Fuyang District, Hangzhou (Special Fund for the Development of Foreign Trade and Economic Cooperation of the Central Government in 2018).

This program appears to be similar to Program 79 – Foreign trade development fund of Central government, as assessed in Accelerated Review No. 519,²⁴⁷ however its period of operation appears to differ from that program.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Hangzhou Fuyang District Business Bureau and Hangzhou Fuyang District Finance Bureau's Notice on the Special Fund for the Development of Foreign Economic and Trade of the Central Committee in 2018; and
- Legislation name/numbers: Fushangwu (2018) No. 56; Fucaiqi (2018) No. 729

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁴⁸

Eligibility Criteria

Based on the available information, the Commission understands the grant is provided to promote foreign trade and economic development in 2018 and is limited to enterprises with export sales.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the special foreign trade fund of the central government.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for developing its export markets.

²⁴⁷ Designated Program 43 in REP 519.

²⁴⁸ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to exports of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the GOC and this would therefore confer a benefit in relation to exports of all goods, and this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises, that being enterprises engaging in foreign trade, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to particular enterprises located in designated regions being the Fuyang District of Hangzhou City, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises within the Fuyang District of Hangzhou City engaging in foreign trade over those engaging in domestic trade. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada. In its REQ, Huada stated that the grant provided a benefit in relation to all products.

The Commission considers that the grant is received specifically in relation to exports and has allocated the amount of the grant to sales of exports of like goods as a proportion of total export revenue to determine a subsidy margin.

B5.2.3 Program 87 – Water-saving subsidy in Zhejiang Province

Background

Huada provided relevant information in relation to this program, described as: Water-saving Subsidies of Finance Bureau of Fuyang District, Hangzhou City, or subsidy of water conservancy construction.

Legal Basis

Huada reported the legal basis for the subsidy as:

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- Hangzhou Fuyang Water Resources and Hydropower Bureau and Hangzhou Fuyang District Finance Bureau's Notice on Water-saving Subsidies; and
- Legislation name/number: Zhejiang Comprehensive Supervision (2017) No. 105.
- Policy basis: Notice on second batch of water resources construction and development funds, Zhejiang Agriculture Treasury 2017, No. 20.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁴⁹

Eligibility Criteria

The Commission is not aware of any eligibility criteria for entities receiving this grant other than being limited to enterprises operating in Zhejiang Province that have been reviewed with respect to the size and standard of a water saving project.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the Hangzhou Fuyang District Finance Bureau. On the basis of the information before the Commission, Hangzhou Fuyang Water Resources and Hydropower Bureau and Hangzhou Fuyang District Finance Bureau's Notice on Water-saving Subsidies are the administering authorities.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity with respect to its cost of production and overheads insofar as the funds, having been provided on the basis of the entity's water saving efforts, are used to offset such costs.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the Hangzhou Fuyang District Finance Bureau and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises, that being enterprises that had been reviewed with respect to, and complied with criteria relating to, a water saving project of

²⁴⁹ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

sufficient scope to warrant awarding of the benefit, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to particular enterprises located in designated regions being Zhejiang Province, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises which have satisfied criteria in relation to a water saving project and located in Zhejiang Province. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this program is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.4 Program 88 – Safety Production Standardization Level II

Background

Huada provided relevant information in relation to this program, described as: Secondary National Standardization Subsidy of Safety Production Supervision and Administration of Fuyang District, Hangzhou City. The Commission notes that Fuyang District, Hangzhou City is in Zhejiang Province.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice from the Zhejiang Province Safety Regulatory Agency; and
- Legislation name/number: Zhejiang Comprehensive Supervision (2017) No. 105.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵⁰

²⁵⁰ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

Eligibility Criteria

Based on the available information, the Commission is not aware of any eligibility criteria for entities receiving this grant other than passing the evaluation of the second level of production safety standardisation.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the Zhejiang Province Safety Regulatory Agency for compliant entities. On the basis of the information before the Commission, Zhejiang Province Safety Regulatory Agency is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for production safety costs and implementation.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the Zhejiang Province Safety Regulatory Agency and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises, that being enterprises that had passed the evaluation of the second level of production safety standardisation, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is also satisfied this program provides a financial contribution to particular enterprises located in designated regions being Zhejiang Province, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises that have satisfied the relevant safety criteria and are located in Zhejiang Province. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this program is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.5 Program 89 – Patent Funding in 2018

Background

Huada provided relevant information in relation to this program, described as: Patent Funding of Science and Technology Bureau of Fuyang District, Hangzhou City.

This program appears to be similar to Program 78 – Patent special fund of Hangzhou Fuyang, as assessed in Accelerated Review No. 519,²⁵¹ however its period of operation appears to differ from that program.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on the Grant of Special Funding for Hangzhou Fuyang District, Hangzhou City in 2018; and
- Legislation name/number: Fuke (2018) No. 55; Fucaiqi (2018) No. 1103.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵²

Eligibility Criteria

Based on the available information, the Commission is not aware of any eligibility criteria for entities receiving this grant other than being limited to enterprises operating in Fuyang District of Hangzhou City that had acquired patent rights in 2018.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant from the special subsidy fund of Fuyang District public finance. On the basis of the information before the Commission, Fuyang District Government is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for acquiring patent rights.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to

²⁵¹ Designated Program 42 in REP 519.

²⁵² The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

the production, manufacture or export of all goods of the recipient enterprise as R&D expenditure is not specific to the goods.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the applicant because it involves a direct financial payment from the GOC and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises being enterprises that had acquired patent rights in 2018, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. This program provides a financial contribution to particular enterprises located in designated regions being Fuyang District of Hangzhou City in Zhejiang Province. This region is within the jurisdiction of the subsidising authority, Fuyang District Government, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises that had acquired patents in 2018 over enterprises that had not and enterprises within the Fuyang District of Hangzhou City in Zhejiang Province over those located elsewhere. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.6 Program 90 – Commendation fund

Background

Huada provided relevant information in relation to this program, described as: The People's Government of Dayuan Town, Fuyang District, Hangzhou commends advanced taxation enterprises/key investment advanced enterprises/self-operated export winning enterprises/100 million yuan enterprises/first-time scale enterprises in 2017.

This program appears to be similar to Program 74 – Matching Funds for International Market Development for small and medium size enterprises (Dayuan), as assessed in Accelerated

Review No. 519,²⁵³ however its period of operation and eligibility criteria appear to differ from that program.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice of Enterprises with Outstanding Contribution to Economic Development, Enterprises with Excellent Safety in Production, Advanced Individuals and Key Growth-oriented SMEs in 2017; and
- Legislation name/number: Dawei (2018) No. 95.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵⁴

Eligibility Criteria

Based on the available information, the Commission understands a range of grants are awarded under this program to enterprises based in Dayuan Town that satisfy or have been identified as being any one of the following:

- Advanced tax-paying enterprises in 2017;
- Key investment advanced enterprise in 2017;
- Outstanding producing and exporting enterprise in 2017;
- Enterprises with sales that exceeded 100 million yuan for the first time in 2017;
- Key growth orientated SMEs in 2018;
- First time large scale enterprises;
- Well-known brand trademark enterprises from Hangzhou City level;
- Enterprises with outstanding contribution to economic development in 2017; or
- Enterprises that demonstrated excellent safety records and recognition of an advanced individual in 2017.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the special subsidy fund of Dayuan Town public finance. On the basis of the information before the Commission, Dayuan Town Government is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for developing its export markets.

The Commission has determined that Huada received benefits under this program, having satisfied or been identified as:

- Advanced tax-paying enterprises in 2017;

²⁵³ Designated Program 38 in REP 519.

²⁵⁴ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

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- Key investment advanced enterprise in 2017;
- Outstanding producing and exporting enterprise in 2017; and
- Key growth orientated SMEs in 2018.

The Commission further considers that a benefit under this program would be made in connection with exports of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the Dayuan Town Government and this would therefore confer a benefit in relation to exports of all goods. The Commission considers this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to particular enterprises located in designated regions being in Dayuan Town in the Zhejiang Province. This region is within the jurisdiction of the subsidising authority, Dayuan Town Government, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises within Dayuan Town in Zhejiang Province over those located elsewhere. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada. In its REQ, Huada stated that the grant provided a benefit in relation to all products.

The Commission considers that the grant is received specifically in relation to exports and has allocated the amount of the grant to sales of exports of like goods as a proportion of total export revenue to determine a subsidy margin.

B5.2.7 Program 91 – Special Subsidy Fund for Open Economy and Finance in 2018

Background

Huada provided relevant information in relation to this program, described as: Special Subsidy Fund for Open Economy and Finance.

This program appears to be similar to Program 80 – Open economy subsidy of Hangzhou Fuyang, as assessed in Accelerated Review No. 519,²⁵⁵ however its period of operation appears to differ from that program.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice on Issuing Fuyang Special Economic Subsidy Fund in 2018; and
- Legislation name/numbers: Fushangwu (2018) No. 75; Fucaiqi (2018) No. 1189.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵⁶

Eligibility Criteria

The Commission is not aware of any eligibility criteria for entities receiving this grant other than being limited to enterprises operating in Fuyang District of Hangzhou in 2018.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the special subsidy fund of Fuyang District public finance. On the basis of the information before the Commission, Fuyang District Government is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for developing its domestic and export markets.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the GOC and this would therefore confer a benefit in relation to exports of all goods, and this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to

²⁵⁵ Designated Program 44 in REP 519.

²⁵⁶ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

particular enterprises located in designated regions being the Fuyang District of Hangzhou City, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises within the Fuyang District of Hangzhou City over those located elsewhere. The Commission does not have sufficient information to be satisfied that any of the circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.8 Program 92 – Financial Support Funds for Key Industrial Inputs and Machine Replacement Projects in 2018

Background

Huada provided relevant information in relation to this program, described as: Economic and Information Administration of Fuyang District, Hangzhou (Financial Support Funds for Key Industrial Inputs and Machine Replacement Projects).

This program appears to be similar to Program 83 – Subsidy for 1,000,000 Ton precision cold rolled plate project (phase two), as assessed in Accelerated Review No. 519,²⁵⁷ however its period of operation appears to differ from that program.

Legal Basis

According to Huada's audited financial statements the legal basis for this subsidy is:

- Notice about Release of Financial Funds for Construction of Industrial Key Districts (Key Industry Input and Mechanization) in 2018; and
- Legislation name/numbers: Fujingxincai (2019) No. 16; Fucaiqi (2019) No. 253.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵⁸

²⁵⁷ Designated Program 48 in REP 519.

²⁵⁸ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

Eligibility Criteria

Based on the available information, the Commission is not aware of any eligibility criteria for entities receiving this grant other than being limited to manufacturing enterprises.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the applicant from the special subsidy fund of Fuyang District public finance. On the basis of the information before the Commission, Fuyang District Government is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in not having to pay the full amount for implementing projects that increase industrial capabilities.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to exports of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the applicant because it involves a direct financial payment from the GOC and this would therefore confer a benefit in relation to exports of all goods, and this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises being manufacturing enterprises, thereby satisfying the criteria in section 269TAAC(2)(a).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours manufacturing enterprises over non-manufacturing enterprises. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this program is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.9 Program 93 – Employee Unemployment Insurance Fund

Background

Huada provided relevant information in relation to this program, described as: Employee Unemployment Insurance Fund of Employment Management Service Department in Fuyang District of Hangzhou City. The Commission notes that Hangzhou City is in Zhejiang Province.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Notice from the Hangzhou Municipal Government; and
- Legislation name/number: Hangzhou Municipal Government notice (2019) No. 19.

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁵⁹

Eligibility Criteria

Based on the available information, the Commission understand the grant is awarded to enterprises based in Hangzhou Municipal Government area that did not terminate staff or reduce staff numbers in calendar year 2018.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the Hangzhou Municipal Government for eligible entities. On the basis of the information before the Commission, Hangzhou Municipal Government is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the refund of half of the company's unemployment insurance fund, resulting in savings realised by the entity in not having to pay the full amount for employee costs.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the Hangzhou Municipal Government and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

²⁵⁹ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

Section 269TAAC(2)(a) provides that a subsidy is specific if, subject to section 269TAAC(3), access to the subsidy is explicitly limited to particular enterprises. The Commission is satisfied this program provides a financial contribution to particular enterprises being enterprises that did not terminate staff or reduce staff numbers in calendar year 2018, thereby satisfying the criteria in section 269TAAC(2)(a).

Section 269TAAC(2)(b) provides that a subsidy is specific if, subject to section 269TAAC(3), it is limited to and predominantly benefits entities carrying on business within a designated geographical region. The Commission is satisfied this program provides a financial contribution to particular enterprises located in designated regions being the Hangzhou Municipal Government area. This region is within the jurisdiction of the subsidising authority, Hangzhou Municipal Government, thereby satisfying the criteria in section 269TAAC(2)(b).

Section TAAC(3) provides the conditions for when a subsidy is not specific. In particular, the Commission does not consider that section 269TAAC(3)(c) applies as the subsidy favours enterprises that did not terminate staff or reduce staff numbers in calendar year 2018 over enterprises that had not and enterprises within the Hangzhou Municipal Government area over those located elsewhere. The Commission does not have sufficient information to be satisfied that any of the other circumstances in section 269TAAC(3) apply to this subsidy. Consequently the Commission considers that this program is specific.

The Commission therefore has determined this subsidy is specific and countervailable.

The amount of subsidy in respect of the goods

In accordance with section 269TACD(1), the amount of the subsidy received in respect of the goods is the amount as reported by Huada.

The Commission allocated the amount of the grant to sales of all products as a proportion of sales revenue to determine a subsidy margin.

B5.2.10 Program 94 – Deduction and withholding of tax handling fees

Background

Huada provided relevant information in relation to this program, described as: Tax Bureau of Fuyang District of Hangzhou City, State Administration of Taxation, withholding and withholding [sic] VAT fees.

Huada had identified this program as “Deduction and withholding of VAT handling fees”, however the Commission found that the source documents provided by Huada did not appear to relate to VAT. The documents provided appeared to relate to more general tax matters and not VAT specifically.

The program appears to be a payment to the company by the Taxation Administration of a service fee calculated as 2 per cent of the amount of individual income tax withheld by the employer.

Legal Basis

Huada reported the legal basis for the subsidy as:

- Article 17 of Individual Income Tax Law of the People's Republic of China (Revised in 2018).

WTO Notification

The Commission is not aware of any WTO notification of this program.²⁶⁰

Eligibility Criteria

Based on the available information, the Commission is not aware of any eligibility criteria for entities receiving this benefit.

Is it a subsidy?

The Commission considers that the grant under this program is a financial contribution, which involves a direct transfer of funds to the company from the Tax Bureau of Fuyang District of Hangzhou City, State Administration of Taxation. On the basis of the information before the Commission, the Tax Bureau of Fuyang District of Hangzhou City, State Administration of Taxation is the administering authority.

Where received, a financial contribution under this program is considered to confer a benefit because of the savings realised by the entity in processing and administering the company's tax obligation to its employees.

The Commission has determined that Huada received a benefit under this program. The Commission further considers that a benefit under this program would be made in connection to the production, manufacture or export of all goods of the recipient enterprises.

In accordance with section 269TACC(2), this financial contribution is considered to confer a benefit to the company because it involves a direct financial payment from the Tax Bureau of Fuyang District of Hangzhou City, State Administration of Taxation and this would therefore confer a benefit in relation to the goods. The Commission considers that this financial contribution satisfies the definition of a subsidy under section 269T.

Is the subsidy countervailable?

A subsidy is a countervailable subsidy if it is specific. Specificity is defined under section 269TAAC.

The Commission has considered the circumstances set out in section 269TAAC(2) and 269TAAC(4) and is satisfied that none of those circumstances apply to this subsidy. That is, there is nothing which indicates that this program is explicitly or manifestly limited to particular enterprises; to particular enterprises within a designated region, is contingent on export performance or on the use of domestic inputs.

²⁶⁰ The Commission has examined the GOC's most recent notification to the WTO's Committee on Subsidies and Countervailing Measures dated 19 July 2019, for each program considered in this SEF. This most recent notification may be found on the WTO website, document G/SCM/N/343/CHN.

Accordingly, the Commission considers a subsidy under this program is not specific and is therefore not countervailable under section 269TAAC.

B6 Existing subsidy programs in respect of zinc coated (galvanised) steel – India

The Commission assessed the 11 programs which were found to have conferred a benefit and were countervailable with respect to Indian producers of zinc coated (galvanised) steel in *Anti-Dumping Commission Report No. 370*. In the absence of detailed information from any Indian exporters of zinc coated (galvanised) steel, or comprehensive information from the GOI (noting that the GOI stated in its government questionnaire response that there were no fundamental changes to the subsidy programs considered in Investigation No. 370 besides Program 27, as discussed at Section 5.3.3), the Commission finds that all 11 programs as outlined in Table B.5 remain countervailable.

| No. 261 | Program name | Program type | Countervailable in relation to zinc coated (galvanised) steel? (Yes/No) |
|------------|---|---------------|--|
| 23 | Export Promotion Capital Goods Scheme | Tariff Policy | Y |
| 25 | Duty Exemption/Remission Schemes – Advance Authorization Scheme | Tariff Policy | Y |
| 26 | Duty Exemption/Remission Schemes – Duty Entitlement Passbook Scheme (& Program 56 - MEIS for Essar) | Tariff Policy | Y |
| 27 | Duty Exemption/Remission Schemes – Duty Drawback Scheme | Tariff Policy | Y |
| 31 | 80-IA Income Tax Deduction Program | Tax Policy | Y |
| 35 | SGOM – Exemption from Electricity Duty | Electricity | Y |
| 39.1 | SGOM – Special Incentives of the SGOM for Mega Projects | Grant | Y |
| 56 | Merchandise Exports from India Scheme (based on Essar Program 26) | Tariff Policy | Y |
| 57 | Sales Tax Deferral Program | Tax Policy | Y |
| 58 | Electricity Duty Exemption | Electricity | Y |
| 59 | Interest free loan | Loan | Y |

Table B.5 Summary of existing programs relevant to Indian producers of zinc coated (galvanised) steel

²⁶¹ The program numbers are those used in Investigation No. 370.

NON-CONFIDENTIAL APPENDIX C – PUBLIC BODIES

C1 Background

The Commission's Dumping and Subsidy Manual states:

Article 1 of the [Subsidies and Countervailing Measures] (SCM) Agreement provides that a subsidy exists where 2 distinct elements are present: there must be a financial contribution by a government, or income or price support; and this must confer a benefit.

A financial contribution is a transaction through which something of economic value is transferred by the government – this may include for example money, goods, and services. The government's actions are the focus when examining whether there has been a financial contribution.

In establishing whether a financial contribution by a government exists, an important question is how broad is the concept of 'government'? It includes not only the 'government' per se, but also:

- any 'public body' within the country of export or origin of the goods; and
- any 'private body' entrusted or directed by the government to carry out a financial contribution as defined (in defining a subsidy, section 269T seeks to incorporate the above provision).

The definition of a subsidy in section 269T of the Act refers to a 'government' and to a 'public body'. The term 'government' is taken to include government at all different levels – national and sub-national. The definition also refers to a 'private body' which the government or a public body entrust or directs to carry out a governmental function.

Section 269TACC(2) states that a direct financial payment received from any of the following is taken to confer a benefit:

- a. a government of a country;
- b. a public body of a country;
- c. a public body of which a government of a country is a member; or
- d. a private body entrusted or directed by a government of a country or by such a public body to carry out a governmental function.

The term 'public body' is not defined in the Act. Therefore, the Commission has had regard to the dictionary definition which refers to an institution or organisation acting on behalf of the community.

The purpose of this non-confidential attachment is to assess whether for the purposes of this review SIEs involved in the provision of raw materials to exporters of the goods can be considered public bodies.

C2 All facts available and reasonable assumptions

For purposes of this review, the Commissioner has proceeded on the basis of all the facts available and made such assumptions as the Commissioner considered reasonable.

The Commission considers that the GOC is the entity that would be best placed to provide relevant information concerning Chinese subsidy programs and public bodies. The Commission sent a questionnaire to the GOC requesting, among other things, details of subsidy programs that might be available to Chinese exporters of the goods under consideration. The GOC did not provide a response to the questionnaire regarding steel coated (galvanised) steel and aluminium zinc coated steel.

Section 269TAACA provides in a review of measures²⁶² that if the Commissioner is satisfied that the government of the country of export has not given the Commissioner information that the Commissioner considers relevant within a reasonable time²⁶³ then the Commissioner may act on the basis of all the facts available to the Commissioner and may make such assumptions as the Commissioner considers reasonable.²⁶⁴

The Commissioner is satisfied that the GOC, by not providing a response to the questionnaire for the current review for both goods, has not given the Commissioner information that the Commissioner considers would be relevant to the continuation inquiry. Accordingly, for purposes of this review, the Commissioner has proceeded on the basis of all the facts available and made such assumptions as the Commissioner considered reasonable.

C3 The Commissioner's assessment

The Commissioner had regard to the findings by the European Commission (EC) in a report entitled *Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence* (EC Report).

The EC Report was prepared for the purposes of Article 2(6a)(c) of *Regulation (EU) 2016/1036*. Article 2(6a)(c) provides that where the EC has well-founded indications of the possible existence of significant distortions in a certain country or a certain sector in that country, the EC must publish a report describing the market circumstances in that country or sector.²⁶⁵

The EC Report found that the GOC no longer directs SIEs to “adapt to the new market-oriented [...] background” and “promote market-oriented allocation of public resources”.²⁶⁶ Rather the GOC's current primary goal with respect to SIEs is make the sector larger and stronger; this includes strengthening the sector's control and influence “in order to better serve the strategic goals of the country”.²⁶⁷ The GOC has decided to maintain SIEs as a means for pursuing policy objectives and not primarily commercial considerations²⁶⁸ and to selectively create large SIEs to serve the GOC's strategic industrial policies rather than focussing on their own economic performance.²⁶⁹ The GOC has continued controlling SIEs²⁷⁰ and planned reforms to focus on better controlling state-owned assets.²⁷¹

The GOC is retreating from the market reforms for SIEs that it previously promoted, even as recently as 2013.²⁷² Due to the similar operating environments across SIEs in China in different industry sectors, the Commissioner considers that previous findings that SIEs are public bodies are pertinent to this investigation and are likely to understate the GOC's involvement with SIEs.

In the absence of information from the GOC regarding its role in the operation of SIEs and on the basis of the above principles and facts available in this review, the Commissioner considers that it is reasonable to conclude for the purpose of the current review that SIEs that supply HRC to exporters of the goods from China are public bodies.

²⁶² Section 269TAACA(1)(a)(ii).

²⁶³ Section 269TAACA(1)(b)(i).

²⁶⁴ Section 269TAACA(1)(c) and (d).

²⁶⁵ EC Report at page 2.

²⁶⁶ EC Report at page 106 citing the GOC's 13th Five Year Plan.

²⁶⁷ EC Report at page 106 citing the GOC's 13th Five Year Plan.

²⁶⁸ EC Report at page 107-8; the EC Report at page 362 stated that some forms of GOC support in the steel sector were “permanent” and “structural”.

²⁶⁹ EC Report at page 108-9.

²⁷⁰ EC Report at page 108.

²⁷¹ EC Report at page 106 citing the GOC's 13th Five Year Plan.

²⁷² EC Report at page 106 citing the GOC's 2013 3rd Plenum Decision.