



Investigation 550

Precision pipe and tube steel

Exported to Australia from the People's Republic of China, the Republic of Korea, Taiwan and the Socialist Republic of Vietnam

File note

Verification of Yantai Aoxin International Trade Co Ltd

The Anti-Dumping Commission (Commission) conducted a remote verification of information provided by Yantai Aoxin International Trade Co Ltd (Yantai Aoxin). The verification involved targeted procedures informed by risk and consistent with Anti-Dumping Notice No. 2016/30 to satisfy the verification team of the accuracy, relevance and completeness of the information Yantai Aoxin provided. A completed verification work program is at **Confidential Attachment 1**.

This file note details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Commission for publication on the public record.

It provides interested parties with information regarding material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

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

¹ References to any section in this file note relate to provisions of the Act, unless specifically stated otherwise.

YANTAI AOXIN INTERNATIONAL TRADE CO LTD

A remote verification was conducted of information provided by this exporter in its response to the exporter questionnaire, a submission made to *Statement of Essential Facts – 550* (SEF 550)² and the Commission's further requests for information following SEF 550.

1. Exporter status

Yantai Aoxin does not manufacture the goods. It purchases pre-made goods from a variety of Chinese suppliers. Yantai Aoxin claims that the suppliers are not aware that the goods they supply to Yantai Aoxin are destined for export or domestic sale. Yantai Aoxin has its own inventory of the goods, comingled from its various suppliers.

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 verification team considers that Yantai Aoxin meets the former definition, as Yantai Aoxin:

- directly negotiates sales with customers on its own behalf
- is a principal located in China, the country of export
- is named on the commercial invoice as the supplier
- is named as consignor on the bill of lading
- arranges transportation of the goods to the port of export in Australia
- sells goods to Australian customers from its own inventory of the goods, comingled from a variety of manufacturers, who are not aware whether the goods supplied to Yantai Aoxin are destined for export or domestic sale
- knowingly placed the goods in the hands of a freight company for delivery to Australia.

2. Export price

The verification team considers that for all Australian export sales during the investigation period, Yantai Aoxin is the exporter of the goods.

In respect of Yantai Aoxin's sales of the goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price

² Refer to the Commission's Electronic Public Record (EPR), Items 37, 57 and 62.

PUBLIC RECORD

- the price appeared to be 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
- 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.³

The verification team therefore considers that all export sales to Australia made by Yantai Aoxin to its Australian customers during the investigation period were arms length transactions.

In respect of Australian sales of the goods by Yantai Aoxin, the verification team considers that the importer has purchased the goods from the exporter at arms length, therefore export prices are determined under section 269TAB(1)(a).

Exceptions during verification of export sales

No.	Exception	Resolution
1	The verification team identified an export sale with 0.01MT with a negative FOB.	This was identified as an error and removed from the export sales listing.
2	The verification team identified errors with ocean freight and insurance costs.	These were corrected by the team during verification.

Table 1 – Exceptions identified during verification of export sales

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

3. Normal value

Unrelated customers

In respect of its domestic sales of like goods to its unrelated customers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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
- 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.⁴

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

³ Section 269TAA of the Act refers.

⁴ Section 269TAA of the Act refers.

PUBLIC RECORD

Exceptions during verification of domestic sales

No.	Exception	Resolution
3	The verification team identified errors with the delivery terms.	These were corrected by the team during verification.

Table 2 - Exception identified during verification of domestic sales

Calculation of normal value

The Commission is satisfied that, due to a situation in the domestic market for the goods in China, sales in that market are not suitable for use in determining a normal value under section 269TAC(1).

The Commission has therefore calculated a normal value under section 269TAC(2)(c) using the sum of:

- the cost-to-make (CTM) that reasonably reflects competitive market costs in accordance with regulation 43 of the *Customs (International Obligations) Regulation 2015* (the Regulations)
- domestic selling, general and administrative costs (SG&A) on the assumption that the goods, instead of being exported, were sold domestically based on the company's records in accordance with section 44(2) of the Regulations
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the ordinary course of trade (OCOT) in accordance with section 45(2) of the Regulations.

Section 269TAC(2)(c)(i) provides that the CTM component of the normal value calculated under section 269TAC(2)(c) is 'such amount as the Minister determines to be the cost of production or manufacture of the goods in the country of export'.

Section 269TAC(5A) provides that an amount determined to be the cost of production or manufacture of the goods under section 269TAC(2)(c)(i) must be worked out in accordance with the Regulations.

Cost to make and sell

Section 43(2) of the Regulations requires that the Minister must work out the cost of production or manufacture using the information set out in the exporter or producer's records 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
- those records reasonably reflect competitive market costs associated with the production or manufacture of the goods.

Yantai Aoxin does not manufacture the goods, and its records therefore do not reasonably reflect competitive market costs associated with the production of like goods. Accordingly, instead of using its records, the verification team has used the CTM from Dalian Steelforce Hi-Tech Co., Ltd (Dalian Steelforce), a manufacturer of

PUBLIC RECORD

the goods in the country of export, in this case China, which was verified by the Commission during this investigation. Dalian Steelforce's records were adjusted to reflect competitive market costs for the reasons outlined in SEF 550. The Commission considers that such costs would likely reflect competitive market costs incurred by Yantai Aoxin's suppliers, in the absence of cooperation from those suppliers.

The Commission has then used Yantai Aoxin's own SG&A data in accordance with regulation 44(2) of the Regulations to determine a cost-to-make and sell (CTMS) for the goods sold by Yantai Aoxin.

Ordinary course of trade

Section 269TAAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are:

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁵

The verification team has used Yantai Aoxin's constructed CTMS to determine whether its sales of like goods on the domestic market were in OCOT. All sales were found to be in the OCOT and were used by the verification team to calculate an amount for profit on the sale of those like goods.

The verification team's normal value calculations are at **Confidential Appendix 3**.

Adjustments

The verification team is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(9). The verification team considers these adjustments to be necessary to ensure a fair comparison of normal value and export prices:

Adjustment Type	Deduction/addition
Export inland transport and warranty	Add an amount for export inland transport and warranty
Export credit terms	Yantai Aoxin extended credit for export sales but did not do so for domestic sales. Export credit cost was calculated using the payment terms and Central Bank of China interest rate
Non-refundable VAT	Add an amount for non-refundable VAT

Table 3 - Summary of adjustments – Yantai Aoxin

Dumping margin

The preliminary dumping margin in respect of the goods exported to Australia by Yantai Aoxin for the investigation period is **19.7%**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

⁵ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

PUBLIC RECORD

Subsidies

The verification team did not identify any subsidies provided directly to Yantai Aoxin. The case team will examine whether goods exported by Yantai Aoxin were in receipt of indirect subsidies.

PUBLIC RECORD

CONFIDENTIAL APPENDICES

Confidential Appendix 1	Yantai Aoxin – Export price
Confidential Appendix 2	Yantai Aoxin – Cost to make and sell
Confidential Appendix 3	Yantai Aoxin – Normal value
Confidential Appendix 4	Yantai Aoxin – Dumping margin
Confidential Attachment 1	Yantai Aoxin – Verification work program