Australian Government
Anti-Dumping Review Panel

ADRP Conference Summary

Review No. 151 – Aluminium Zinc Coated Steel of a width equal to or greater than 600 millimetres exported from the Republic of Korea, Taiwan and the Socialist Republic of Vietnam

Panel Member	Jaclyne Fisher
Review type	Review of Minister's decision
Date	7 March 2022
Participants	Mayuran Jeyarajah, Harsha Athulathmudali, Patrick Quiggin, Anti-Dumping Commission (ADC) representatives
Time opened	10.00am AEDT
Time closed	10.50am AEDT

Purpose

The purpose of this conference was to obtain further information in relation to the review before the Anti-Dumping Review Panel (Review Panel) in relation to Aluminium Zinc Coated Steel of a width equal to or greater than 600 millimetres exported from the Republic of Korea (Korea) and the Socialist Republic of Vietnam (Vietnam).

The conference was held pursuant to section 269ZZHA of the *Customs Act 1901* (the Act).

In the course of the conference, I was able to ask parties to clarify any argument, claim or specific detail contained in their application or submission. The conference was not a formal hearing of the review, and was not an opportunity for parties to argue their case before me.

I have only had regard to information provided at this conference to the extent that it relates to relevant information within the meaning of section 269ZZK of the Act. Any conclusions reached at this conference are based on that relevant information. Information that relates to some new argument not previously put in an application or submission is not something that the Review Panel may have regard to and, therefore, is not reflected in this conference summary.

At the time of the conference, I advised the participants:

- That the conference was being recorded and transcribed by Express Virtual Meetings Pty Ltd, and that the recording would capture everything said during the conference.

- That the conference was being recorded for the Review Panel to have regard to when preparing a conference summary. The conference summary would then be published on the Review Panel's website.
- Any confidential information discussed during the conference would be redacted from the conference summary prior to publication.

Prior to the conference, participants were provided with a copy of the Review Panel's Privacy Statement. The Privacy Statement outlines who the conference recording and transcript may be disclosed to. The Privacy Statement is available on the Review Panel's website here. The participants indicated that they understood the Privacy Statement and consented to:

- The recording of the conference; and
- The recording being dealt with as set out in the Privacy Statement.

Discussion

The specific information that the Review Panel sought in this conference was in relation to the HSG claim regarding the calculation of the timing adjustments, pursuant to s.269TAC(8) of the Act, to the normal value determination. This relates to whether the correct model control codes (MCC) had been used to base the timing adjustment calculation.

1. HSG (in its application and submission) refers to the validity of the ADC's reasons for choice of the timing adjustment model (fewer category/sub-category adjustments in the MCC structure as well as a change of a category [redacted] that is a key determinant of price) proposing this is not consistent with existing policy. HSG also emphasises the cost difference between the domestic surrogate for normal value purposes and the model used by the ADC. Could the ADC expand on why it considers the change of category used for the timing adjustment is less important as an indicator of price than the categories lower down in the MCC and its reference to using a model with fewer changes of categories

   The ADC advised that its general practice in calculating timing adjustments (in circumstances where there are not suitable domestic sales of the export model) is to consider the number of changes to the category/sub-category of other models to determine suitability. While this is not referred to in the Dumping and Subsidy Manual December 2021 (Manual), it is the long-standing approach adopted by the ADC.

Given HSG referred to the use of the hierarchy structure in the Manual, the ADC indicated that this reference is to the choice of a surrogate model to make specification adjustments. It does not necessarily apply to or refer to all adjustment types.

In this matter, the ADC observed that there were limited models of like goods sold in the required quarters. It was necessary to have sales in the quarters of June and Dec as a minimum to undertake the price index calculation but preferably sales in all quarters. The models proposed by HSG did not meet this objective but rather required two different indexes to be created. The ADC further noted that the price trends of the models chosen did not align with the overall trends in the market prices.

The Review Panel sought additional information on the timing adjustment model given it also appeared to [redacted] models in the market, noting HSG's comments that a [redacted] generally means [redacted] (confidential domestic pricing information [redacted]).

The ADC indicated its preference is to have models sold in all quarters as this provides greater visibility of the pricing trends over the investigation period. Shorter periods have limitations in whether they are appropriate for consideration of a pricing trend. The ADC's preferred timing adjustment model had sales in all quarters and in addition only had one category difference to the domestic surrogate model under consideration. There were limited other models that met these requirements. The fact that the preferred model was [redacted] *models was not a relevant consideration. The ADC noted that the category difference was* [redacted] *in the hierarchy, but its advantage is that it was only one difference to the target model. It considered this preferable for the reasons outlined in its submission.*

The ADC also explained that there are clear advantages of having sales in all quarters is it allows validation against the overall aggregate price trends. This provides confidence that the price index used is based on sales throughout the investigation period reflecting overall price movements in the market, rather than ad hoc selling prices.

The ADC made the following additional observations regarding the pricing analysis contained in Confidential Appendix Two in its submission to the Review Panel tab price analysis data:

The ADC noted:

- *In the 4th quarter the export model's domestic price was* [redacted] *level to that of the preferred timing adjustment model. The ADC considered that this provides confidence that the prices of this model* [redacted] *if sales in the ordinary course of trade (OCOT) had occurred throughout the period.*

- *While export model P2F22C had domestic sales in the first two quarters during the investigation period, these had not been in the OCOT and therefore not suitable for normal value consideration.*

2. It appears that the price index calculation has been based on normal values rather than domestic selling prices in the Vietnamese market. Given the reference is to prices in the domestic market in REP 558, could this be explained?

   The ADC advised that it had used normal values in the timing adjustment calculation to remove prices that were not in the OCOT and to 'standardise' the prices, that is to compare prices at the same delivery terms and credit terms. The difference in the indexed values between the amounts shown as domestic prices and the amounts shown as normal values would be immaterial.

3. Could the ADC please explain the calculation of the price index applied to the domestic selling prices to calculate the normal values, noting that this had been discussed at the previous conference.

   The ADC referred to REP 558 Confidential Spreadsheet 3 HSG Normal Values tab, timing adjustment. For export model P2F23C which had missing sales in the June and Sept quarters, it used the price changes between the relevant quarters in row 30 and applied the price change between Sept and Dec from row 30 to the price in cell E7 to arrive at a price for the Sept quarter (cell D7) and it applied the price change between June and Sept from row 30 to the price in D7 to arrive at a price in the June quarter (cell C7). C7 and D7 being the missing quarters. In relation to export model P2F22C it followed the same calculation process but applied the price index from row 30 to the specification adjusted price (based on P2F23C) in cell E6 to arrive at prices in cells C6 and C7 for the missing quarters.

4. Did the ADC give consideration to using the aggregate price as the basis of the calculation of the price index, if not is there a reason? Can the ADC also confirm that the aggregate prices include sales in the OCOT of like goods sold by HSG except those sales to related parties?

The ADC stated that it is a long-standing practice to base timing adjustments on like models in domestic sales rather than rely on aggregate prices. Aggregate prices are used by the ADC as a reference point to understand the general trends in the market rather than as the price index in a timing adjustment calculation. The ADC stated that it did not receive any submissions during the investigation requesting that it use an aggregate price as the basis for the adjustment.

In relation to this case, there was a wide range of goods in the cohort identified as like goods with:

- [redacted]
- [redacted]
- [redacted]
- [redacted] *(confidential domestic pricing information)*

The ADC advised that the quarterly aggregate price while useful for assessing correlation and overall price trends, would need substantial refinement for use as a price index calculation. It used the following example as illustrative:

In a quarter there was one sale of a model at $100 and 10 sales of a different model at $1 each, resulting in an aggregate price of $10. In the next quarter there was 10 sales of the first model at $100, and one sale of the second model at $1, resulting in an aggregate price of $91. The aggregate price would indicate that there has been a significant increase in the price from the first quarter to the next, even though the actual price of each model is exactly the same.

A price index based on the aggregate price would therefore not be an accurate reflection of the changes in price in the market, as it could create or mask price changes due to the changes in model mix during the period. Any use of an aggregate price as a price index calculation requires analysis and refinement to ensure that the type of distortions referred to in the above example are minimised or eliminated and to ensure that the timing adjustment reflects actual price movements not model mix changes.

5. The ADC in its submission refers to the due allowance and MCC policy requiring the closest possible model for the price index calculation can the ADC provide the exact

reference? The ADC states that the price index is an instrument to show changes in prices in domestic market. However, there does not appear to be any particular reference to price index in the Manual.

The ADC confirmed that there was no particular reference in the Manual relating to timing adjustments. It noted there is a reference in the Due Allowance section dealing with sales at different times and the Model Matching section dealing with the approach to the MCC.

I requested that the ADC provide the following information following the conference: nil requested.