

**Record of Anti-Dumping Review Panel (ADRP) Conference with the Anti-Dumping Commission held under Section 269ZZHA of the *Customs Act 1901* (Customs Act) in relation to applications from Hunan Valin Xiangtan Iron & Steel Co., Ltd (Hunan Valin), Jiangsu Yonggang Group Co., Ltd (Yonggang), OneSteel Manufacturing Pty Ltd (Administrators Appointed) and Shandong Shiheng Special Steel Group Co., Ltd (Shiheng), for a review of a decision by the Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science (the Parliamentary Secretary) to publish a notice under s 269ZDBH(1) of the Customs Act (the Reviewable Decision).**

**Date: 5 August 2016**

**Teleconference call commenced at 1400hrs**

**Participants:** Jaci Fisher (Chair, ADRP member), Bora Akdeniz (Anti-Dumping Commission), Chris Hill (Anti-Dumping Commission)

### **Summary**

1. Jaci Fisher (Reviewing Member) opened the conference call and participants introduced themselves.
2. The Reviewing Member confirmed the conference call protocol and confirmed all participants were aware of the user guide available on the ADRP Website and that this conference call was being recorded and that the transcript would be used to prepare a summary of the meeting. The Reviewing Member also clarified the process in which to raise an issue during the conference.
3. The Reviewing Member advised the conference is being held pursuant to section 269ZZHA of the Customs Act and that a non-confidential summary will be published on the ADRP website.
4. The Reviewing Member stated that the purpose of the conference is to obtain further information from the ADC in relation to the adjustments made to the normal values for both Shiheng and Yonggang in order to enable a proper comparison with the export prices.
5. Shiheng Normal Value - Could the ADC indicate where the full margin calculation is shown in relation to the HK Lutai margin adjustment to normal value. The ADC indicated that this calculation has been extracted from Shiheng's exporter questionnaire response Australian Sales spreadsheet and reflects the differences in price between the **[confidential export sale information]**. The ADC further explained that this margin included **[confidential financial information]** and the SG&A calculations are available at the Shiheng verification visit report Confidential at Attachment Shiheng ADJ1. It has used this as it considers this would enable a proper comparison between the constructed normal value and the export price.
6. The ADC was asked to explain the basis of the HK Lutai margin adjustment as REP 300 does not provide an explanation except to indicate it enables a proper comparison. The

ADC indicates that this has been derived from the Shiheng verification visit report, sections 4.1.1 and 4.1.2 Export Sales Process and Pricing - the majority of which is confidential as well as section 8.4. It states that as this creates a different channel between the "domestic" price and the export price there is a need to undertake an adjustment to allow a proper comparison.

7. The ADC was asked to explain whether the financial expenses in the general ledger, as claimed by Shiheng in its review application, includes both domestic and export bank charges. Shiheng claims double-counting of bank charges has occurred, given the SG&A figure used in the normal value construction includes these expenses. The ADC confirmed that it appears that the domestic and export bank charges have been included in the calculation of the SG&A which means the bank charges have been double counted and this would require correction by removal from the domestic SG&A used in the construction of the normal value. The actual export transaction bank charges have been used in the adjustment and these are correct.
8. In the Shiheng dumping margin spreadsheet there are [confidential financial information] columns relating to adjustments for bank charges. One relates to [confidential bank charges information], can the ADC confirm what the [confidential bank charges information] relate to and that these reflect the bank charges mentioned above. The ADC is to supply this information as quickly as possible.
9. Yonggang Normal Value - Could the ADC provide information as to why it used the steel billet volumes for some calculations in relation to the normal value and dumping margins and the rebar volumes in others. The ADC indicated that the domestic sales spreadsheet provided by Yonggang included various grades of rebar, however the ADC considers that only Grade 500 are like goods to those exported to Australia. When the information for Grade 500 was extracted it was apparent that [confidential Yonggang production information]. Yonggang's explanation indicated that its rebar production figures [confidential Yonggang production information]. However the billet figures were actual consumption volumes. As the [confidential Yonggang production information] it was considered that actual billet consumption figures should be utilised. Given there are also [confidential Yonggang production information], the ADC decided to take a conservative approach and utilise the actual billet consumption volumes. It noted that generally more billet is consumed than rebar produced. The ADC indicated that this is likely to be a more conservative approach than using the [confidential rebar production] production figures provided by Yonggang. This is explained briefly in the report 300 given confidentiality issues.
10. Yonggang has stated that the ADC should have used the monthly cost to make and sell (CTMS) figures in undertaking the ordinary course of trade test given it had agreed to do monthly comparisons for the dumping margin calculations given the variations in costs and prices during the period. The ADC confirmed that it undertook the Dumping Margin assessments on a monthly basis but did not think that it would make any difference to the assessment of the ordinary course of trade test to use the quarterly CTMS figures to compare with the transaction based domestic selling prices. The ADC provided the relevant spreadsheet references where these calculations were shown. The ADC confirmed that it used only domestic Grade 500 transactions in the ocot test and this information was also used to calculate the profit rate used in the construction of the normal value.
11. Yonggang have suggested that the ADC should have included various grades of its rebar in the domestic sales calculations used for ordinary course of trade assessments. Could the ADC advise what grades were used in any of its calculations associated with

the construction of the normal value. The ADC confirmed that as Grade 500 were the goods exported to Australia, it had only used the Grade 500 rebar domestic sales in the ordinary course of trade test as well as the determination of profit rate for use in the construction of normal value. In calculating the SG&A [confidential SG&A information]. The ADC advised that Yonggang had made submissions during the inquiry that other grades of rebar should be classed as like goods to the Grade 500 domestic sales however the ADC had advised Yonggang that the ADC would only use the grade 500 equivalents. The ADC will confirm the relevant references in the SEF and REP 300 on the like goods issue.

12. In relation to financial charges, Yonggang claims that its financial expenses in the SG&A figures supplied included both domestic and export bank charges, which in its view suggests a double counting of bank charges in the normal value calculation. This is a similar issue to that identified for Shiheng. The ADC was unable to comment on this claim at the conference. However the ADC did indicate that it had formed the view that the domestic sales would not incur bank charges [confidential SG&A information] of domestic sales.
13. The Reviewing Member requested information on the adjustment called export credit terms and in particular as to the calculation of the weighted cost of capital and where this evidence was shown. The ADC advised that this information was taken directly from the Yonggang exporter questionnaire relating to confidential information provided about Australian sales. The credit terms shown revealed [confidential sales information] and in the absence of any other information this rate was used to adjust for export credit terms relative to the timing different between invoice date and payment receipt. This adjustment was to take into account the fact that on the domestic market payment was made [confidential domestic selling information] whereas on the export market there were [confidential export sales information] by Yonggang.
14. The Reviewing Member requested that the ADC provide to the ADRP Secretariat clarification on particular items identified above as soon as possible to enable further consideration of these issues.

**Conference call ended at 1520hrs**

### **Additional information provided to the Review Panel on 8 August 2016 following the conference with the ADC**

The following confidential information was provided by the ADC in response to questions raised at the Conference:

- a) Explanation of Shiheng and HK Lutai Bank Charges;
- b) Details of the HK Lutai calculation margins;
- c) Reference to Yonggang's 500 grade domestic sales in page 33 of REP 300; and
- d) Bank charges in calculation of Yonggang's SG&A