



Australian Government
**Australian Customs and
Border Protection Service**

**INVESTIGATION INTO THE ALLEGED DUMPING OF
ZINC COATED (ALUMINIUM ZINC COATED) STEEL
EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF
KOREA AND TAIWAN**

DUMPING MARGIN CALCULATION

JIANGYIN ZONGCHENG STEEL CO., LTD.

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL
BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE
FINAL POSITION OF CUSTOMS AND BORDER PROTECTION**

March 2013

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2 BACKGROUND

2.1 Applications

On 3 August 2012, an application¹ was lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of zinc coated (aluminium zinc coated) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan.

BlueScope alleged that the Australian industry has suffered material injury caused by aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices.

On 17 August 2012² and 27 August 2012 additional information and data were received in respect of the application. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications.

On 5 September 2012, following consideration of the application, the Chief Executive Officer of Customs and Border Protection decided not to reject the application and initiated an investigation into the alleged dumping of aluminium zinc coated steel exported from China, Korea and Taiwan. Public notification of initiation of the investigation was published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigation and is available at www.customs.gov.au.

2.2 Background

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Jiangyin Zongcheng Steel Co., Ltd. (Zongcheng) supplied aluminium zinc coated steel from China to Australia in the period 1 July 2011 to 30 June 2012 (the investigation period).

Customs and Border Protection notified Zongcheng of the initiation of the investigation and sought its cooperation with the investigation and provided an exporter questionnaire in respect of aluminium zinc coated steel for the company to complete. The company completed an exporter questionnaire and the non-confidential version of the questionnaire responses is available on the public record.

2.3 Preliminary Affirmative Determination

On 6 February 2013, Customs and Border Protection gave notice that a preliminary affirmative determination (PAD) has been made that there appears to be sufficient

¹ *Application for Dumping Duties for Aluminium zinc coated Steel exported from China, Korea and Taiwan* (Aluminium zinc coated Steel Application) received on 3 August 2012.

² Additional information relating to minor issues was also provided on 20 and 21 August 2012.

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grounds for the publication of a dumping duty notice in respect of aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

In reaching this preliminary decision, Customs and Border Protection was satisfied that dumped goods appear to have caused material injury to the Australian industry producing like goods.

The decision to make PAD was based on the information available at the time of making the PAD. The preliminary findings, including dumping margins, may change between the time of the publication of the PAD and the publication of the statements of essential facts in respect of the investigation.

At the time of making the PAD, Customs and Border Protection further determined that securities should be required and taken under section 42 of the *Customs Act 1901*³ in respect of interim dumping duty that may become payable in respect of certain goods from China, Korea and Taiwan, being satisfied that it is necessary to require and take securities in order to prevent material injury occurring to the Australian industry while the investigations continue.

Dumping securities have been taken in respect of any interim dumping duty that may become payable in respect of the goods entered for home consumption on or after 6 February 2013.

No PAD was made in respect of the alleged subsidisation of exports of aluminium zinc coated from China.

Further details of the PAD are contained in Australian Customs Dumping Notice 2013/11 and the report, PAD 190. Both can be found on the electronic public record for the investigations.

2.4 Purpose of this report

Based on the volume of Zongcheng's exports relative to the total export volume during the investigation period a decision was made not to conduct an on-site verification visit at Zongcheng's premises.

The purpose of this report is to assess Zongcheng's exporter questionnaire responses and to make a preliminary assessment of:

- who is the exporter and who is the importer;
- export prices and normal values; and
- dumping margins.

³ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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According to the exporter questionnaire response, Zongcheng was established in 2004 as a wholly foreign owned enterprise. It provided in confidential form details of its shareholders and corporate structure.

Zongcheng is a producer of galvanized and high anti-corrosive aluminium zinc alloy plate, coated steel. It also acts as a wholesaler, import and export of hot-rolled coil, pickling coil and cold-rolled coil.

Zongcheng states that it carries out all activities in the selling process, both domestically and exports, itself.

2.6 Accounting

The exporter questionnaire responses state that Zongcheng's financial accounting period is from 1 January to 31 December. It provided copies of its chart of accounts, financial statements and annual reports.

The exporter questionnaire responses also state that the financial accounting practices and policies used by Zongcheng are in line with the generally accepted accounting principles in China.

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3 GOODS UNDER CONSIDERATION AND LIKE GOODS**3.1 The goods the subject of the applications****3.1.1 Description**

The imported goods the subject of the application are:

*“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”⁴.*

The goods the subject of this application are generically called aluminium zinc coated steel. The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that 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*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

3.1.2 Product standards

The application stated that:

“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”⁵.

- (i) Australia

The application states that the Australian and New Zealand Standard Industrial Classification Code applicable to aluminium zinc coated steel is category 2711.

- (ii) International

⁴ Aluminium Zinc Coated Steel Application, page 10.

⁵ Aluminium zinc coated Steel Application, page 12.

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The application states that there are a number of relevant International Standards for aluminium zinc coated steel products (figure 1 refers) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing & Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 1: International Standards for aluminium zinc steel⁶

3.1.3 Tariff classifications

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

3.2 Like goods

Subsection 269T(1) defines like goods to mean:

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.

⁶ Aluminium Zinc Coated Steel Application, page 11.

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Zongcheng's exporter questionnaire responses provide details of the models of aluminium zinc coated steel exported to Australia by Zongcheng and sold domestically in China by Zongcheng. Some models that are exported to Australia are also sold on the domestic market.

It appears that the aluminium zinc coated steel sold in the domestic market are either identical or have characteristics closely resembling the goods exported to Australia.

3.2.1 Like goods – preliminary assessment

The aluminium zinc coated steel produced and sold domestically by Zongcheng have characteristics closely resembling those of the goods exported to Australia by Zongcheng and are therefore "like goods" in terms of subsection 269T(1).

PUBLIC RECORD VERSION**4 EXPORT SALES TO AUSTRALIA****4.1 General**

From its questionnaire response, it appears that aluminium zinc coated steel manufactured by Zongcheng is sold by Zongcheng to independent customers in Australia. There was one shipment of a small volume to a trader.

Zongcheng provided all source documents related to two sales transactions to Australia.

4.2 The exporter

It appears that Zongcheng is the exporter of aluminium zinc coated steel exported to Australia from China as Zongcheng:

- is the manufacturer of the goods;
- owned the goods at the time of export;
- is the principal in the transaction located in the country of export from where the goods were shipped; and
- sent the goods for export to Australia and was aware of the identity of the Australian end customer of the goods.

4.3 The importer

It appears that the Australian customers of Zongcheng were the beneficial owners of the goods at the time of importation. The beneficial owner is considered to be the one who was entitled to all the benefits associated with ownership even though they may not be the legal owner of the goods.

Zongcheng's customers purchase aluminium zinc coated steel at free-on-board (FOB) terms and therefore arrange and pay ocean freight, marine insurance, Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port.

An analysis of Customs and Border Protection's import database identifies [REDACTED] [Zongcheng's customers] as the importer and Zongcheng as the supplier. We also note that the importer visit reports of [REDACTED] and [REDACTED] identify [REDACTED] and [REDACTED] respectively as the importers of the goods.

4.4 Export price – preliminary assessment

It appears that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter. Therefore, the export price has been determined under s. 269TAB(1)(a) using the invoiced price by Zongcheng less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

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The weighted average quarterly FOB export price in [REDACTED] is summarised in the table below:

[REDACTED]/MT	Sep 11	Dec 11	Mar 12	Jun 12
Aluminium zinc coated Steel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Details of the export price calculations and summary export prices are at **confidential appendix 1**.

PUBLIC RECORD VERSION**5 COSTS TO MAKE & SELL**

In its exporter questionnaire response, Zongcheng provided a cost to make and sell spreadsheet for aluminium zinc coated steel. The spreadsheet shows quarterly costs data for each model sold domestically and exported to Australia.

Zongcheng used applied quarterly SG&A amounts to the cost to make to calculate the cost to make and sell for each model. This was amended to apply the weighted average SG&A amount over the investigation period based on the income statement provided in the exporter questionnaire response.

The calculation of unit costs to make and sell for aluminium zinc coated steel from Zongcheng is contained in **confidential appendix 2**.

6 DOMESTIC SALES

6.1 General

In its exporter questionnaire response, Zongcheng provide a spreadsheet containing detailed sales of aluminium zinc coated steel in the domestic market.

Zongcheng appears to sell only to unrelated parties on the domestic market.

6.2 Ordinary course of trade

As stated in section 2.3 above, the delegate made a PAD in relation to dumping of aluminium zinc coated steel. The delegate has preliminarily determined that a market situation exists in relation to sales of aluminium zinc coated steel in China and normal values should be based on constructed costs and an amount for profit. However, an ordinary course of trade (OCOT) test has been undertaken for the purpose of calculating a profit.

In order to test whether the domestic sales are in the OCOT, the profitability of each arm's length transaction was first tested individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model. For those sales found to be sold at a loss, its recoverability was then tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period.

This test was undertaken for each model individually and where the volume of unrecoverable sales exceeds 20%, the unrecoverable sales for those models were deemed not to be made in the OCOT.

6.3 Domestic sales – preliminary assessment

Customs and Border Protection has preliminarily determined that a market situation exists in relation to sales of aluminium zinc coated steel in China. Because of this, domestic selling prices are not suitable for the purpose of establishing normal value. Normal values have been established based on s. 269TAC(2)(c) using constructed costs and an amount for profit. The above section sets out the results of the ordinary course of trade test that was used to determine an appropriate amount of profit.

Details of the OCOT test and profit calculation are at **confidential appendix 3**.

7 THIRD COUNTRY SALES

In its exporter questionnaire response, Zongcheng provided a summary its aluminium zinc coated steel export sales to third countries.

There is sufficient information from the submission to calculate normal values for aluminium zinc coated steel using domestic sales or a construction method.

8 ADJUSTMENTS

8.1 General

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

8.2 Domestic packaging

A downwards adjustment for domestic packaging costs was applied to the normal value using the weighted average domestic packaging costs over the investigation period.

8.3 Domestic inland transport

A downwards adjustment for domestic inland transport costs was applied to the normal value using the weighted average domestic inland transport costs over the investigation period.

8.4 Domestic other costs

A downwards adjustment for domestic other costs was applied to the normal value using the weighted average domestic other costs over the investigation period.

8.5 Export packaging

An upwards adjustment for export packaging costs was applied to the normal value using the weighted average export packaging costs over the investigation period.

8.6 Export inland transport

An upwards adjustment for export inland transport costs was applied to the normal value using the weighted average export inland transport costs over the investigation period.

8.7 Export handling

An upwards adjustment for export handling costs was applied to the normal value using the weighted average export handling costs over the investigation period.

8.8 Export Commission

An upwards adjustment for export inland transport costs was applied to the normal value using the weighted average export handling costs over the investigation period.

8.9 Un-refundable value-added tax

Zongcheng incurs an un-refundable value-added tax (VAT) expense on export sales to Australia of 4%, being the difference between the VAT amount of 17% less 13% VAT refund on export sales of aluminium zinc coated steel. Therefore, an upwards adjustment of 4% was applied to the normal value of export sales to Australia.

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8.10 Adjustments – Conclusion

In accordance with s. 269TAC(9), these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic packaging	Deduct an amount for domestic packaging costs.
Domestic inland transport	Deduct an amount for domestic inland transport costs.
Domestic other	Deduct an amount for domestic other costs.
Export packaging	Add an amount for export packaging costs.
Export inland transport	Add an amount for export inland transport costs.
Export handling	Add an amount for export handling costs.
Export commission	Add an amount for export commission expense.
Unrefundable VAT	Add the unrefundable VAT amount of 4%.

9 NORMAL VALUE

As stated in section 2.3, the delegate made a PAD in relation to dumping of aluminium zinc coated steel. The delegate has preliminarily determined that a market situation exists in relation to sales of aluminium zinc coated steel in China and normal values should be based on constructed costs and an amount for profit.

The delegate also considers the cost of HRC reflected in Chinese exporters' records does not reflect a competitive market cost due to the various influences of the Government of China on the steel industry in China. PAD 190 contains details about the benchmark used to determine HRC costs for exporters in China. Applying this benchmark results in an uplift to Zongcheng's cost of HRC during the investigation period.

Normal values have been constructed using the cost to make aluminium zinc coated steel exported to Australia plus SG&A on the assumption that the goods, instead of being exported, were sold domestically⁷. A rate of profit has been added using data related to the production and arm's length sales of like goods in the ordinary course of trade⁸.

In using costs to make and sell as the basis for normal values, certain adjustments, in accordance with s. 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in section 8 above.

A summary of normal value calculations is at **confidential appendix 4**.

⁷ s. 269TAC(2)(c)

⁸ Regulation 181A(2) of the *Customs Regulations 1926*

10 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin, each export transaction was compared with the corresponding quarterly normal value for the corresponding model of aluminium zinc coated steel. The weighted average product dumping margin for aluminium zinc coated steel is 19.8%. A summary of dumping margin calculation is at **confidential appendix 5**.

11 LIST OF APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profit
Confidential Appendix 4	Normal values
Confidential Appendix 5	Dumping margin