



Australian Government
Anti-Dumping Commission

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF HOT
ROLLED PLATE STEEL**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA
(CHINA), THE REPUBLIC OF INDONESIA (INDONESIA),
JAPAN, THE REPUBLIC OF KOREA (KOREA) AND TAIWAN**

AND

**ALLEGED SUBSIDISATION OF HOT ROLLED PLATE
STEEL EXPORTED FROM CHINA**

DUMPING MARGIN CALCULATION

CHINA STEEL CORPORATION

AND

CHINA STEEL GLOBAL TRADING CORPORATION

**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 THE ANTI-DUMPING COMMISSION**

July 2013

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2 BACKGROUND

2.1 Applications

On 21 December 2012, an application was lodged on behalf of BlueScope requesting that the Minister for Home Affairs (the Minister) publish:

- a dumping duty notice on hot rolled plate steel (plate steel) exported to Australia from China, Indonesia, Japan, Korea and Taiwan; and
- a countervailing duty notice on plate steel exported to Australia from China.

BlueScope alleges that the Australian industry has suffered material injury caused by plate steel exported to Australia from the nominated countries at dumped and, in the case of China, subsidised prices.

BlueScope provided further information and data in support of its application, the last of which was received on 29 January 2013. As a result, the Australian Customs and Border Protection Service (ACBPS) restarted the 20 day period for considering the application.

On 12 February 2013, following consideration of the application, the Chief Executive Officer of ACBPS decided not to reject the application and ACBPS initiated an investigation. Public notification of initiation of the investigation was made in *The Australian* newspaper on 12 February 2013. Australian Customs Dumping Notice (ACDN) No. 2013/18 and ACDN 2013/20 provide further details of the investigations and is available on the Anti-dumping Commission's (the Commission's) website at www.adcommission.gov.au.

2.2 Background

Following initiation of the investigation, a search of ACBPS's import database indicated that China Steel Corporation (CSC) and China Steel Global Trading Corporation (CSGT) supplied plate steel from Taiwan to Australia in the period 1 January 2011 to 31 December 2011 (the investigation period).

ACBPS notified CSC and CSGT of the initiation of the investigation and sought cooperation with the investigation and provided access to the exporter questionnaire in respect of plate steel for CSC and CSGT to complete. CSC and CSGT completed the exporter questionnaires and the non-confidential versions of the questionnaire responses are available on the public record.

2.3 Purpose of this report

Based on the volume of CSC's and CSGT'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 CSC's or CSGT's premises.

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

- who is the exporter and who is the importer;

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- export prices and normal values; and
- dumping margins.

2.4 Company background**2.4.1 China Steel Corporation**

According to the exporter questionnaire response, CSC is a producer of steel products and is publicly traded company listed on the Taiwan Stock Exchange.

It also states that it produces and sells the goods under consideration in the domestic market and exports to other countries, including Australia.

As of 17 April 2012, only one shareholder - owns more than 5% of CSC's shares. The Ministry of Economic Affairs has 20% shareholdings of CSC¹.

2.4.2 China Steel Global Trading Corporation

CSGT's exporter questionnaire response stated that it is a subsidiary of CSC and [REDACTED] [business operations]. In addition, CSGT states that it is also a service entity that helps companies under the CSC group to locate overseas customers for a fee.

2.5 Accounting

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

The exporter questionnaire responses state that the financial accounting practices and policies used by CSC and CSGT are in line with the generally accepted accounting principles of Taiwan.

¹ According to CSC's exporter questionnaire.

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;
- non-alloy steel; or
- non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from this application are:

- 250 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;
- 350 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 100mm;
- Q&T Green Feed grades of plate steel with a thickness greater than 105mm;
- heat treated Q & T grades of plate steel.

3.1.2 Product Standards

There are a number of relevant international standards for plate steel products that define specific grade designations, including the recommended or guaranteed properties of each of these product grades.

Q&T green feed products are often 'negotiated mill to customer' chemistry grades of plate steel.

These relevant standards are noted in the tables below.

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Australian and International Standards:- Structural Grades			
AS/NZS 3678	ASTM	JIS	China
Grade	Grade	Grade	Grade
250	A36	G3101-SS400	GB/T 700 - Q275
250L15			
250L20			
250Y20			
250L40			
250Y40			
300			
300L15			
300L20			
300Y20			
300L40			
300Y40			
350	A572 -345 (50)	G3101-SS490	GB/T 1591 - Q345
350L15			
350L20			
350Y20			
350L40			
350Y40			
400	A572 -415 (60)		GB/T 1591 - Q390
400L15			
400L20			
400Y20			
400L40			
400Y40			
450	A572 -450 (65)		GB/T 1591 - Q420
450L15			GB/T 1591 - Q460
450L20			
450Y20			
450L40			
450Y40			

Australian and International Standards:- Pressure Vessel and Boiler Grades	
AS 1548	ASTM
Grade	Grade
PT430	A516 - 415 (60)
PT460	A516 - 450 (65)
PT490	A516 - 485 (70)
PT490	A516 - 485 (70)
PT490N	A516 - 485 (70) N

3.1.3 Tariff classifications

The application states that plate steel is classified to the following tariff subheadings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

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For tariff subheadings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40; and
- 7208.52.00 statistical code 41

the general rate of duty is currently 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia. There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading which covers plate 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.

CSC's exporter questionnaire response provides details of the models of plate steel exported to Australia by CSC and sold domestically in Taiwan by CSC. CSC categorised its plate steel sales using product codes that differentiates the products by:

- Raw material used
- Standards
- Specification
- Thickness
- Width
- Quality.

This product code was used as the basis for model matching. CSC's exporter questionnaire included a table identifying the domestic models that are either identical or, if there are no identical models sold domestically, a surrogate model that, in CSC's opinion, closely resembles the export model.

It appears that the plate steel sold in the Taiwan domestic market are either identical or have characteristics closely resembling the goods exported by CSC to Australia.

Similarly CSGT's exporter questionnaire response provided details of the goods it exported to Australia. It indicated that CSGT [REDACTED] [confidential export sales of models] during the investigation period. CSGT stated that [REDACTED] on the Taiwan domestic market.

CSGT stated that CSGT's [REDACTED] to Australia were [REDACTED] [business operations] and supply the goods to the Australian customer's specifications. CSGT [REDACTED]

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[business operations]. Further information on the circumstances behind these export sales are at confidential attachment **GOODS 1**.

3.2.1 Like goods – preliminary assessment

The plate steel produced and sold domestically by CSC have characteristics closely resembling those of the goods exported to Australia by CSC and are therefore “like goods” in terms of subsection 269T(1).

However we consider that the plate steel produced and sold domestically by CSC are not like goods to the goods exported by CSGT.

4 EXPORT SALES TO AUSTRALIA

4.1 General

4.1.1 China Steel Corporation

From its questionnaire response, it appears that the plate steel manufactured by CSC is sold by CSC to its [REDACTED] [Australian customer(s)].

CSC exporter questionnaire response states that it is not related to its Australian customer and does not have any agency or distributor arrangements in relation to its Australian export sales. From the information provided in the exporter questionnaire response, there is no evidence that CSC is related to its Australian customer.

CSC provided a spreadsheet containing a detailed listing of all export sales to Australia during the investigation period. It also provided the following source documents for two transactions:

- Commercial invoice;
- Packing list;
- Sales order;
- Bill of lading;
- Mill test certificate;
- Sales confirmation to its Australian customer;
- Bank settlement advice;
- Invoice for inland freight;
- Invoice for shipping freight;
- Invoice for customs brokerage fee;
- Invoice for harbour service fee;
- Invoice for trade promotion fee;
- Invoice for export surveyor fee; and
- Invoice for bank charge.

For the two transactions provided by CSC we were able to reconcile these documents back to the spreadsheet provided in CSC's exporter questionnaire.

CSC supplied information in regards to the plate steel it produces and exports to Australia, which is summarised in the table below:

CSC Internal Code and Specification	Steel Grade (MPa)	Thickness (mm)	Volume (metric tonnes)
[REDACTED]	350	8 - 12	[REDACTED]
[REDACTED]	350	4.95 – 5.99	[REDACTED]
[REDACTED]	250	4.95 – 5.99	[REDACTED]

As part of CSC's exporter questionnaire response, CSC provided Australian sales data that enabled the of product matching down to the detailed product specification level.

PUBLIC RECORD**4.1.2 China Steel Global Trading Corporation**

From its questionnaire response, CSGT stated that [REDACTED] [business operations] and provided details on its plate steel production arrangements which are described in section 3.2. There is also further discussion on these circumstances in Attachment GOODS 1. It also stated that CSGT [REDACTED] of the goods to [REDACTED] [Australian customer(s)], during the investigation period.

CSGT stated that it is not related to its Australian customer. There is no evidence that suggests that CSGT is related to [REDACTED].

CSGT provided a spreadsheet containing a detailed listing of all export sales to Australia. It also provided the following source documents of its [REDACTED] export transactions:

- Sales contract;
- Commercial invoice;
- Bill of lading;
- Bank settlement advice;
- Invoice for inland freight;
- Invoice for brokerage charge;
- Notary fee;
- Invoice for harbour construction fee; and
- Invoice for trade promotion fee.

For the [REDACTED] transactions provided by CSGT we were able to reconcile these documents back to the spreadsheet provided in CSGT's exporter questionnaire.

CSGT supplied information in regards to the plate steel it exported to Australia, which is summarised in the table below:

Model	Steel Grade (MPa)	Thickness (mm)	Range	Volume (metric tonnes)
[REDACTED]	350	8 – 12		[REDACTED]
[REDACTED]	250	4.95 – 5.95		[REDACTED]

4.2 Treatment of CSC and CSGT as a single entity

We considered whether it is appropriate to consider CSC and CSGT as a single entity for the purpose of calculating dumping margins. CSC argues that CSC and CSGT should not be treated as a single entity. To support its position, CSC highlighted that in relation to all of its export sales:

- CSGT provides a service to CSC in relation to sales between CSC and its Australian customer;
- CSGT receives a fee from CSC for this service;
- Services provided by CSGT to CSC are no different to as any other entity providing services to CSC;

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- For CSC's export sales, the commercial invoice, packing list, bill of lading, test certificate and letter of credit identifies the transaction as between CSC and the Australian customer;
- All export sales transactions are between CSC and its export customers; and
- At no time is the ownership of the goods transferred from CSC to CSGT.

Although we acknowledge that export sales by CSC to Australia are not sold through CSGT, we do not consider this fact relevant to the consideration of whether to treat CSC and CSGT as a single entity for the purpose of calculating dumping margins. The relevant considerations include the ownership and management structure of the entities and the commercial relationship between the entities.

This issue was considered by a World Trade Organisation dispute settlement panel dealing with the case of Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia².

The panel stated that:

“In our view, in order to properly treat multiple companies as a single exporter or producer in the context of its dumping determinations in an investigation, the IA has to determine that these companies are in a relationship close enough to support that treatment.”

It also stated that entities could be treated as a single entity where:

“the structural and commercial relationship between the companies in question is sufficiently close to be considered as a single exporter or producer.”

The panel considered that common management and ownership are indications of a close legal and commercial relationship and such companies *“could harmonize their commercial activities to fulfil common corporate objectives.”*

In the case of CSC and CSGT:

- CSC owns 99.99% of CSGT;
- The Chairman, President, Executive Vice President and Vice President – Commercial Division of CSC are also on the Board of CSGT;
- CSGT is the sole export channel for CSC³ providing services to companies in the CSC group;
- [REDACTED] [Australian customer(s)];
- [REDACTED] [arrangement between CSC and CSGT].

² WT/DS312/R

³ Exhibit A-3.11b Company Brochure of CSGT's EQR

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Given the ownership, common management and close commercial relationship between CSC and CSGT, we consider that the companies can reasonably be treated as a single entity for the purposes of determining a dumping margin.

4.3 The exporter

It appears that CSC and CSGT, considered as a single entity, are the exporters of plate steel exported to Australia from Taiwan as CSC or CSGT:

- are the manufacturer of the goods;
- owned the goods at the time of export;
- are 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 were aware of the identity of the Australian customer.

4.4 The importer

It appears that [redacted] [Australian customer(s)] of CSC and CSGT were the beneficial owner 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.

CSC's and CSGT's customers purchase plate steel at [redacted]
[redacted] [terms of trade].

4.5 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 CSC and CSGT 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.

The weighted average quarterly [redacted] export price in [redacted] [currency] for CSC is summarised in the table below:

Sum of WA EXP NTD	Qtr				
Thickness code	Mar-12	Jun-12	Sep-12	Dec-12	Grand Total
< 8 mm	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
≥ 8 mm	[redacted]	[redacted]	[redacted]		[redacted]

The weighted average quarterly [redacted] export price in [redacted] for CSGT for the [redacted] shipments during the investigation period is summarised in the table below:

Sum of WA EXP NTD	[redacted]
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Thickness code	██████
< 8 mm	██████
≥ 8 mm	██████

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

5 COSTS TO MAKE & SELL

In its exporter questionnaire response, CSC provided cost to make and sell (CTMS) data for plate steel sold domestically and exported to Australia (**confidential attachment CTMS 1**). The data was presented quarterly by model number.

CSC provided a spreadsheet in its exporter questionnaire response demonstrating how the CTMS data reconciled up, through management accounts, to its 2012 audited financial statement (**confidential attachment CTMS 2**). It also provided a spreadsheet showing the calculation of selling, general and administration (SG&A) expenses as a percentage of revenue based on figures from its income statement and sales spreadsheets (**confidential attachment CTMS 3**).

In the CSGT exporter questionnaire response, it provided a CTMS spreadsheet for plate steel exported to Australia (**confidential attachment CTMS 4**). [redacted] [export data]. It also provided a spreadsheet showing its SG&A calculation allocated to the goods exported to Australia by proportioning the SG&A expenses based on sales revenue (**confidential attachment CTMS 5**).

In relation to the above we were able to reconcile the CTMS data and did not identify and any issues.

The calculation of unit CTMS for plate steel from CSC and CSGT are contained in **confidential appendix 2**.

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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 Suitability of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in section 269TAC(14) as less than 5% of the total volume of the goods that are exported to Australia by the exporter.

Of the domestic models suggested by CSC as either identical or similar to the export models, two had insufficient OCOT sales. Therefore, we selected different domestic models that were similar to the export models and had sufficient OCOT sales for the purpose of model matching.

6.4 Domestic sales – preliminary assessment

There were sufficient volumes of domestic sales of plate steel by CSC that were arm's length transactions and at prices that were in OCOT.

In relation to CSC, based on the information provided, we consider that CSC's domestic sales of plate steel are suitable for assessing normal value under section 269TAC(1).

However, CSC's domestic sales are not suitable for ascertaining normal values in relation to export sales made by CSGT as we do not consider that the models sold by CSC are like goods to the goods exported by CSGT. Therefore, normal values have been constructed in accordance with section 269TAC(2)(c).

The domestic sales spreadsheet, including OCOT test, is at **confidential appendix 3**.

7 THIRD COUNTRY SALES

In its exporter questionnaire response, CSC provided a summary its plate steel export sales to third countries.

We have considered the volume of sales to third countries, and determined that the volume of sales CSC has made to third countries is such that the third country sales are not suitable for a normal value assessment in terms of sections 269TAC(2)(d) and (3).

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 inland transport

For export sales made by CSC, a downwards adjustment for CSC's domestic inland transport costs was applied to the normal value using the actual costs as reported in the sales spreadsheet.

8.3 Domestic credit terms

For export sales made by CSC, a downwards adjustment for CSC's domestic credit terms was applied to the normal value based on its monthly short term borrowing interest rate as reported in the sales spreadsheet.

8.4 Export inland transport

For export sales made by both CSC and CSGT, an upwards adjustment for the export inland transport costs was applied to the normal value using the weighted average quarterly export inland transport costs as reported in the sales spreadsheet.

8.5 Export handling and port charges

For export sales made by both CSC and CSGT, an upwards adjustment for the export handling and port charges was applied to the normal value using the weighted average quarterly costs as reported in the sales spreadsheet. The export handling and port charges includes Customs brokerage fees, harbour service/construction fees, trade promotion charges, loading/handling fees, and survey/notary fees.

8.6 Export bank charges

For export sales made by both CSC and CSGT, an upwards adjustment for the export bank charges was applied to the normal value using the weighted average quarterly export bank charges as reported in the sales spreadsheet.

8.7 Export CSGT service fee

For export sales made by CSC, an upwards adjustment for CSGT's service fee was applied to the normal value using the weighted average quarterly CSGT service fee as reported in the sales spreadsheet.

As the financial states provided in the exporter questionnaire response indicated that CSGT was profitable, we consider that the service fee sufficiently covered CSGT's costs for the services provided, including SG&A.

PUBLIC RECORD**8.8 Adjustments – Conclusion**

In accordance with s. 269TAC(8) and (9), these adjustments to the normal value are necessary to ensure a fair comparison of normal values and export prices:

Domestic inland transport	Deduct an amount for domestic inland transport costs for CSC
Domestic credit costs	Deduct an amount for domestic credit costs for CSC
Export inland transport	Add an amount for export inland transport costs for CSC & CSGT
Export handling and port charges	Add an amount for export handling and port charges for CSC & CSGT
Export bank charges	Add an amount for export bank charges for CSC & CSGT
Export CSGT service fee	Add an amount for export SCGT service fee for CSC

9 NORMAL VALUE

In relation to export sales by CSC, there were sufficient volumes of domestic sales of plate steel by CSC that were arm's length transactions and at prices that were in OCOT. Therefore, prices paid in respect of domestic sales of plate steel are suitable for assessing normal values under section 269TAC(1).

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

In using CTMS as the basis for normal values, certain adjustments, in accordance with section 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**.

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 plate steel. The weighted average product dumping margin for plate steel is 0.9%. A summary of the dumping margin calculation is at **confidential appendix 5**.

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Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal values
Confidential Appendix 5	Dumping margin
Confidential Attachment GOODS 1	Circumstances of CSGT's export sales
Confidential Attachment CTMS 1	CSC CTMS spreadsheet
Confidential Attachment CTMS 2	CSC cost reconciliation up to audited financial statement
Confidential Attachment CTMS 3	CSC SG&A calculation
Confidential Attachment CTMS 4	CSGT CTMS spreadsheet
Confidential Attachment CTMS 5	CSGT SG&A calculation