A simplified example:- Fixed vs Fixed and Variable (Combination) measures

Definitions:-

Ascertained Export Price (AEP)

- The weighted-average FOB export price established by the ADC during the investigation period. (Per exporter). In the context of applying measures based upon the combination method, the AEP may be referred to as a 'floor price'

Fixed Margin

– Is the % or 'Ad *Valorem'* measure imposed.

Variable Margin

– Is the duty levied on the importer of dumped goods, as determined by the amount the actual export price is lower than the Ascertained Export Price (on an FOB basis, by shipment).

Theoretical Example:

During an investigation the ADC finds for a particular exporter that:-

AEP = $1000/tne FOB.
Normal Value = $1100/tne. (Assuming "Non-Injurious Price" is above normal value)
Dumping Margin calculated at 10% *'Ad Valorem'* ($1100 Normal Value -$1000 AEP) / $1000 AEP

Fixed or Ad Valorem measures only:

Intent:-

The exporter sells his product at FOB $1,000/tne, with '*Ad Valorem'* of 10% = total $1,100/tne FOB
This $1,100/tne is intended to be a non-dumped price to the Australian Industry

Issue:-

The exporter could decide to sell at < $1000/tne FOB – e.g. FOB $900tne, with '*Ad Valorem'* of 10% = total of $990 FOB Thereby absorbing some of the originally intended A$100 duty, continue to sell at dumped prices and cause further, ongoing injury to the domestic industry without penalty. The normal value is at, or around, the A$1100/tne level. The competitive market price is therefore the reduced level representing a A$990/tne (and not the A$1100 if the combination method, or floor price was used).

The Combination Method (Fixed and Variable measures) :-

Intent:-

Ensures each exporter sells his product at an FOB price equal or greater than the AEP ($1000/tne)
(i.e, This prevents an exporter simply absorbing the fixed or % "*Ad Valorem"* duty)

How it works:-

If an exporter decides to sell this product for less than the AEP – say at $900/tne FOB then:-

1/. A Variable margin of $100 is imposed to bring the export price up to the AEP (floor price) of $1000/tne and then
2/. The fixed or Ad Valorem 10% duty then applies ($100/tne)

The effective export FOB becomes $1100/tne (the intended non-injurious price) with combined dumping measures of $150. ($50 Variable margin plus the $100 Fixed or '*Ad Valorem'* of 10%)

If the exporter sells at an FOB $975/tne, the combination method would impose a $25/tne variable margin to get to the $1000/tne AEP, then the $100/tne Fixed 10% margin would be applied.
This would again equal the intended non-injurious price of $1100/tne

(Hence the term "Variable Margin" - as the value of this measure varies – depending on the export FOB price)

BlueScope steel recommends the Combination Method - as the most effective measure to apply to exporters found guilty of dumping and causing material injury to Australian industry.