



Australian Government
Department of Industry,
Science and Resources

**Anti-Dumping
Commission**

Exporter verification report

Verification and case details

Initiation date	4/01/2022	ADN:	2022/002
Case number	594		
The goods under consideration	Hot Rolled Coil Steel		
Case type	Continuation Inquiry		
Exporter	China Steel Corporation		
Location	Virtual verification		
Verification date	17/05/2022	to	27/05/2022
Inquiry period	1/01/2021	to	31/12/2021

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

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Preface

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by China Steel Corporation for Continuation Inquiry 594. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 594.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 Company background

1.1 Corporate structure and ownership

China Steel Corporation (CSC) is a publicly traded company listed on the Taiwan Stock Exchange. Established in 1971, it manufactures and sells a variety of steel products for both the domestic and export market, including Australia. Its main products are hot rolled coils and sheets, cold rolled coils and sheets, wire rods, steel plates, and steel bars.

CSC is a parent company with a large number of subsidiaries. This includes Dragon Steel Corporation (DSC), who is also a manufacturer of the goods, and China Steel Global Trading Corporation (CSGT) who manages export sales on behalf of both CSC and DSC.

1.2 Related parties

The verification team examined the relationships between CSC and parties involved in the manufacture and sale of the goods.

1.2.1 Related suppliers

For CSC's production of the goods, CSC purchased a minor volume of base raw materials from DSC. CSC on behalf of DSC on the domestic and Australian markets sold all of the goods produced by DSC.

For DSC's production of the goods, DSC purchased some base raw materials from CSC.

Refer chapter 6.3 for supplier arms length assessment.

1.2.2 Related customers

The verification team is satisfied that CSC is unrelated to its Australian customer.

The verification team identified a number of related domestic customers. Refer chapter 8.1.1 for customer arms length assessment.

1.3 Accounting records

Deloitte & Touche audit CSC and DSC financial statements and both include a statement confirming they comply with generally accepted accounting principles of Taiwan.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Taiwan.

2 Goods under consideration and like goods

2.1 Production process

Both CSC and DSC produce the goods under consideration (the goods). Both are integrated steel mills and follow the same process for producing the goods.

Coal and iron ore fed into the coke oven plant and sinter plants respectively. Molten hot metal produced using raw materials through the iron making process. Through the blast furnace and basic oxygen furnace oxygen is blown through the molten hot metal to convert the molten metal into liquid steel. Refined liquid steel from the basic oxygen furnace sent through the Slab Continuous Casting process where it is poured into moulds, cooled, pulled into arc-shape strands, straightened and then cut into pieces to produce slab.

After the slab formed, in preparation for hot rolling, the reheating furnace heats it.

The first step in hot rolling is the roughing mill. The slab passed through this mill for intermediate rolling to a particular thickness and width and processed through the hot strip mills to produce the goods. The finishing mill further reduces the slab's thickness to meet the required specifications. The finishing temperature, strip profile, flatness and surface quality also controlled to meet requirements.

The strip then cooled by the laminar flow cooling system, which sprays water over the strip to rapidly cool it to the desired coiling temperature. Once cooled, the steel is tested and inspected for mechanical and chemical properties and rolled into a coil on the down coiler.

Then the rolled coil is passed through one of a number of different lines depending on the required specifications and surface treatments. For example, the coil may go to the pickling and oiling line, where it is uncoiled, pickled, tempered in the "skin pass" mill, trimmed, oiled and then recoiled and packed. Alternatively, it can be passed through the light gauge shearing line to be un-coiled, trimmed, sheared, levelled and then packed as hot rolled sheets.

2.2 Model control codes (MCCs)

CSC provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) 2022/002.

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is not necessary to make amendments to the MCC structure.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined.

Category	Determination of the sub-category
Quality	CSC's sales module in the ERP captures information on prime and non-prime, as per the internal product codes.
Form	CSC's sales module in the ERP captures information on straight and coil, as per the internal product codes.

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Surface condition	CSC’s sales module in the ERP captures information on ‘as rolled’ or pickled and/or oiled, as per the internal product codes.
Standard/Grade	CSC used a combination of internal product code classification and internal ‘price extras’ list to classified grades to the MCC sub-categories using its ‘price extras’ lists. For added category “06” for downstream/leeway products, the sales module in the ERP captures this information. “06” is also associated with non-prime products.
Thickness (BMT)	CSC’s sales module in the ERP captures information on specific thickness according to internal product codes, which CSC could sort into each thickness category. For added category “T0” relating to non-prime and leeway products, the sales module in the ERP does not capture information on thickness.
Width	CSC’s sales module in the ERP captures information on specific width according to internal product codes, which CSC could sort into each width category. For added category “W0” relating to non-prime and leeway products, the sales module in the ERP does not capture information on width.

Table 1 MCC sub-category determination

2.4 The goods exported to Australia and like goods sold on the domestic market

2.4.1 The goods exported to Australia

The verification team was satisfied that CSC produced and exported the goods to Australia.

2.4.2 Like goods sold on the domestic market

The verification team was satisfied that CSC sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production are the same);
- are produced at the same facilities, using the same raw material inputs (being iron ore and coal) and manufacturing processes; and
- considered functionally and commercially alike, as they have similar end uses.

2.5 List of MCCs

CSC sold and produced the following MCCs during the period:

Australian Sales	Domestic Sales	Costs
P-C-A-01-T1-W1	N-C-A-06-T0-W0	P-C-A-01-T3-W1
P-C-A-01-T1-W2	N-C-PI-06-T0-W0	P-C-A-01-T3-W2
P-C-A-01-T2-W2	N-S-A-06-T0-W0	P-C-PI-01-T3-W2
P-C-A-01-T3-W1	P-C-A-01-T1-W1	P-C-A-06-T3-W2
P-C-A-01-T3-W2	P-C-A-01-T1-W2	P-C-PI-01-T2-W2
P-C-A-01-T4-W1	P-C-A-01-T2-W1	P-C-A-02-T3-W2

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Australian Sales	Domestic Sales	Costs
P-C-A-01-T4-W2	P-C-A-01-T2-W2	P-C-PI-05-T3-W2
P-C-A-02-T3-W1	P-C-A-01-T3-W1	P-C-PI-03-T3-W2
P-C-A-02-T3-W2	P-C-A-01-T3-W2	P-C-PI-04-T3-W2
P-C-A-02-T4-W2	P-C-A-01-T4-W1	P-C-A-03-T3-W2
P-C-A-03-T3-W2	P-C-A-01-T4-W2	P-C-PI-01-T1-W2
P-C-A-03-T4-W2	P-C-A-02-T1-W2	P-C-A-01-T1-W2
P-C-A-04-T1-W2	P-C-A-02-T2-W1	P-C-PI-01-T4-W2
P-C-A-04-T2-W2	P-C-A-02-T2-W2	P-C-PI-02-T3-W2
P-C-A-04-T3-W2	P-C-A-02-T3-W1	P-C-A-02-T4-W2
P-C-A-04-T4-W2	P-C-A-02-T3-W2	P-C-A-01-T4-W2
P-C-PI-01-T1-W1	P-C-A-02-T4-W1	P-C-A-01-T2-W2
P-C-PI-01-T1-W2	P-C-A-02-T4-W2	P-C-A-01-T2-W1
P-C-PI-01-T2-W1	P-C-A-03-T1-W2	P-S-A-01-T3-W2
P-C-PI-01-T2-W2	P-C-A-03-T2-W2	P-C-A-06-T4-W2
P-C-PI-01-T3-W1	P-C-A-03-T3-W1	P-C-A-04-T4-W2
P-C-PI-01-T3-W2	P-C-A-03-T3-W2	P-C-PI-01-T3-W1
P-C-PI-01-T4-W2	P-C-A-03-T4-W1	P-C-PI-05-T3-W1
P-C-PI-02-T1-W2	P-C-A-03-T4-W2	P-C-A-06-T3-W1
P-C-PI-02-T2-W2	P-C-A-04-T2-W2	P-C-PI-03-T4-W2
P-C-PI-02-T3-W1	P-C-A-04-T3-W1	P-C-A-04-T3-W2
P-C-PI-02-T3-W2	P-C-A-04-T3-W2	P-C-PI-04-T4-W2
P-C-PI-02-T4-W1	P-C-A-04-T4-W1	P-C-PI-04-T3-W1
P-C-PI-03-T3-W1	P-C-A-04-T4-W2	P-C-A-02-T3-W1
P-C-PI-03-T3-W2	P-C-A-05-T3-W1	P-C-PI-02-T1-W2
P-C-PI-03-T4-W2	P-C-A-05-T3-W2	P-C-A-02-T1-W2
P-S-A-01-T1-W2	P-C-A-05-T4-W1	P-C-A-02-T2-W2
P-S-A-01-T2-W2	P-C-A-05-T4-W2	N-C-A-06-T0-W0
P-S-A-01-T3-W2	P-C-A-06-T0-W0	P-C-PI-02-T3-W1
P-S-A-03-T3-W2	P-C-PI-01-T1-W1	P-C-PI-02-T2-W2
	P-C-PI-01-T1-W2	P-C-A-05-T3-W2
	P-C-PI-01-T2-W1	P-C-PI-03-T2-W2
	P-C-PI-01-T2-W2	P-S-A-01-T2-W2
	P-C-PI-01-T3-W1	P-S-A-01-T4-W2
	P-C-PI-01-T3-W2	P-C-A-05-T4-W2
	P-C-PI-01-T4-W1	P-C-PI-05-T4-W2
	P-C-PI-01-T4-W2	P-C-PI-02-T4-W2
	P-C-PI-02-T1-W2	P-C-PI-03-T3-W1
	P-C-PI-02-T2-W1	P-C-PI-01-T2-W1
	P-C-PI-02-T2-W2	P-C-PI-05-T2-W2
	P-C-PI-02-T3-W1	P-C-PI-01-T4-W1
	P-C-PI-02-T3-W2	P-C-PI-04-T2-W1
	P-C-PI-02-T4-W1	P-C-A-03-T3-W1

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Australian Sales	Domestic Sales	Costs
	P-C-PI-02-T4-W2	P-C-A-03-T4-W2
	P-C-PI-03-T2-W1	P-C-A-06-T2-W2
	P-C-PI-03-T2-W2	P-C-PI-04-T2-W2
	P-C-PI-03-T3-W1	P-C-A-01-T1-W1
	P-C-PI-03-T3-W2	P-C-PI-05-T4-W1
	P-C-PI-03-T4-W1	P-C-PI-01-T1-W1
	P-C-PI-03-T4-W2	P-C-PI-05-T2-W1
	P-C-PI-04-T2-W1	P-C-A-02-T2-W1
	P-C-PI-04-T2-W2	P-C-A-06-T4-W1
	P-C-PI-04-T3-W1	P-C-A-04-T3-W1
	P-C-PI-04-T3-W2	P-C-A-06-T1-W2
	P-C-PI-04-T4-W1	P-S-A-01-T1-W2
	P-C-PI-04-T4-W2	P-C-A-02-T4-W1
	P-C-PI-05-T2-W1	P-C-A-03-T2-W2
	P-C-PI-05-T2-W2	P-C-A-02-T1-W1
	P-C-PI-05-T3-W1	P-C-A-05-T3-W1
	P-C-PI-05-T3-W2	P-C-A-05-T4-W1
	P-C-PI-05-T4-W1	P-S-A-05-T4-W2
	P-C-PI-05-T4-W2	P-C-PI-04-T4-W1
	P-C-PI-06-T0-W0	P-C-A-03-T4-W1
	P-C-PI-06-T3-W2	P-C-A-01-T4-W1
	P-C-PI-06-T4-W1	P-S-A-03-T3-W2
	P-S-A-01-T1-W2	P-C-A-05-T2-W2
	P-S-A-01-T2-W2	N-C-PI-06-T0-W0
	P-S-A-01-T3-W2	P-C-A-06-T2-W1
	P-S-A-02-T3-W2	P-S-A-03-T4-W2
	P-S-A-03-T3-W2	P-C-PI-03-T4-W1
	P-S-A-04-T3-W2	P-S-A-05-T3-W2
	P-S-A-05-T3-W2	P-C-PI-03-T1-W2
	P-S-A-06-T0-W0	P-C-PI-03-T1-W1
		P-C-PI-02-T4-W1
		P-S-A-04-T3-W2
		P-S-A-02-T4-W2
		P-C-PI-05-T1-W2
		P-C-A-04-T4-W1
		P-C-PI-03-T2-W1
		P-C-PI-02-T2-W1
		P-S-A-02-T3-W2
		P-C-A-03-T2-W1
		P-C-PI-06-T3-W2
		P-C-PI-02-T1-W1
		P-C-A-06-T1-W1

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Australian Sales	Domestic Sales	Costs
		P-C-PI-06-T4-W2
		P-S-A-04-T4-W2
		P-C-A-03-T1-W2
		P-S-A-01-T3-W1
		P-C-PI-06-T4-W1
		N-S-A-06-T0-W0
		P-S-A-06-T0-W0
		P-C-A-06-T0-W0
		P-C-PI-06-T0-W0

Table 2 - List of MCCs

2.6 Like goods – assessment

The verification team considers that the goods produced by CSC for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 Verification of sales completeness and relevance

The verification team conducts verification of relevance and completeness by reconciling selected data submitted ‘upwards’ through management accounts up to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

1. CSC’s total sales revenue was reconciled to the most recent audited financial statement, the company’s most recent income statement and accounting system for the most recent accounting period.
2. CSC demonstrated how it was able to ascertain the domestic and Australian sales values and volumes for the goods, using its accounting system.
3. CSC’s detailed sales ledger was reconciled to the domestic and export sales listings submitted in the REQ.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

3.1 Exceptions during verification of sales completeness and relevance

Exception No	Description	Resolution
1	Inland transport and unit inland transport costs incorrectly reported in the B-2 sales listing.	The company submitted a revised B-2 sales listing including the correct Inland transport and unit inland transport costs.
2	In relation to the service fee paid to CSGT by CSC, the fee incorrectly calculated in the B-2 sales listing.	The company submitted a revised B-2 sales listing including the correct fee calculation for the service fee paid to CSGT.

Table 3 – Exceptions during verification of sales completeness and relevance

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data submitted by CSC, including any required amendments as outlined in the exception description above, is complete and relevant.

4 Verification of sales accuracy

The verification team verifies the accuracy of data by reconciling selected data submitted ‘downwards’ to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents.

The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to source documents in accordance with ADN 2016/30.

The verification team identified two issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Exception No	Description	Resolution
3	CSC made a claim that the date of sale to be a ‘price month’.	The commission rejected the claimed date of sale because insufficient evidence was provided to support the claim and the evidence does not demonstrate when the material terms of sale including price and quantity are agreed and established at the claimed date. In addition, if the applicant could provide sufficient support evidence for the claim, they would need to provide a specific date (i.e. the date when the price month is decided). Therefore, the commission considered the invoice date to be the date of sale.
4	The verification team determined that the price between CSC and a related customer of CSC, appears influenced by their relationship and therefore considered non-arms length.	Pursuant to section 269TAA(1)(b), sales by CSC to the related customer are not considered arms length. Therefore, the verification team has removed domestic sales to the related customer from the dumping margin calculation.

Table 4 – Exception during verification of accuracy of sales data

4.1 Date of sale

CSC claimed the date of sale to be a ‘price month’ based on the following:

- Relates to both export and domestic sales
- The most important material term of sale is the applicable base price and overall order quantity for each price month
- Agreed prices are quoted and negotiated based on a monthly price guideline that covers both the base price and price extras and not determined by a specific day of the month
- A significant fluctuation of raw material cost and steel prices throughout 2021 makes the use of order date or invoice date for price setting not accurate

To support its claim CSC submitted internal price guidelines, sales contracts and sales orders. The commission considered this evidence was not sufficient to support the company’s claimed date of sale. The evidence does not demonstrate when the material terms of sale including price and quantity are agreed and established at the claimed date.

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Therefore, in accordance with guidance in the Dumping and Subsidy Manual, the commission determined the invoice date to be the date of sale.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data submitted by CSC is accurate including any required amendments as outlined in the exception table above. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

<h2 style="margin: 0;">5 Verification of cost to make and sell (CTMS) completeness and relevance</h2>

The verification team conducts verification of relevance and completeness by reconciling selected data submitted ‘upwards’ through management accounts up to audited financial accounts. The verification team reconciles total cost to make data to the cost of production in the management reports with particular attention given to including all relevant costs and excluding all irrelevant costs. The verification team then reconciles cost of production data, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, the verification team reconciles selling, general and administrative (SG&A) expenses to income statements, with particular attention given to specific expenses that the company excluded or that the verification team should exclude.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information submitted in the REQ by reconciling it to audited financial statements in accordance with ADN 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

1. CSC’s total cost of the goods sold was reconciled to the most recent audited financial statement, the company’s most recent income statement and accounting system for the most recent accounting period.
2. CSC’s total cost of production for the period ascertained by adjusting for the change in finished goods inventory and consumption of goods.
3. CSC demonstrated how it was able to ascertain the domestic and Australian cost to make values and volumes for the goods, using its accounting system.

The verification team verified the relevance and completeness of the SG&A data as follows:

1. CSC’s SG&A listing was reconciled to the most recent audited financial statement, the company’s most recent income statement and accounting system for the most recent accounting period.

The verification team identified two issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.1 Exceptions during verification of completeness and relevance of CTMS data

Exception No	Description	Resolution
5	In the CSC SG&A listing, the verification team identified several accounts relating to “Unrealised exchange gains and losses”.	“Unrealised exchange gains and losses” are not considered eligible SG&A expenses because they are not realised (i.e. not sold) and therefore removed from the SG&A listing.
6	In the DSC SG&A listing, the verification team identified several accounts relating to “Unrealised exchange gains and losses”.	“Unrealised exchange gains and losses” are not considered eligible SG&A expenses because they are not realised (i.e. not sold) and therefore removed from the SG&A listing.

Table 5 - Exceptions during verification of accuracy of CTMS data

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data submitted in the REQ by CSC, including any required amendments as outlined as an exception above, is complete and relevant.

6 Verification of cost to make and sell (CTMS) accuracy

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information submitted in the REQ to the relevant MCCs, in accordance with ADN 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 6 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs allocated based on production quantity considering upstream inputs.
Scrap Allocation	Scrap recovery allocated based on production quantity.
Labour	Direct labour allocated based on production quantity and machine time.
Manufacturing Overheads	Manufacturing overheads allocated based on production quantity and machine time.
Depreciation	Depreciation is allocation based on production quantity and machine time.
Variance	On a quarterly basis, variance ratios calculated for each of direct materials, direct labour and manufacturing overheads, which applied to all standard costs for adjusting to actual costs. As such, the cost of production reflects actual costs.

Table 6 Cost allocation method

6.2 Verification of accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted ‘downwards’ to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information submitted in the REQ by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.3 Related party suppliers

CSC purchased a minor volume of raw materials from related party DSC. The verification team performed a unit price analysis holding raw material type constant. The verification team determined that, predominantly, CSC paid a higher unit price to DSC for raw materials than it paid to unrelated suppliers during the inquiry period.

DSC purchased a minor volume of raw materials from related party CSC. The verification team performed a unit price analysis holding raw material type constant. The verification

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team found that DSC paid a comparable unit price to CSC and to unrelated suppliers for raw materials during the inquiry period.

Based on the findings above the verification team was satisfied that CSC's raw material purchases from DSC and DSC's raw material purchases from CSC were arms length transactions.

6.4 Accuracy finding

The verification team is satisfied that the CTMS data submitted in the REQ by CSC is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 Export price

7.1 The importers

The verification team considers CSC's Australian customers to be the beneficial owner of the goods at the time of importation, and therefore the importer as CSC's Australian customer:

- is named as the buyer on the sales contract
- is named on the commercial invoice as the customer
- is named as the consignee on the bill of lading
- pays for all the importation charges
- arranges delivery from the port.

In relation to the goods exported by CSC to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

7.2 The exporter

The verification team finds that, while CSC and DSC both manufacture the goods, CSC is the exporter² of the goods as it is the principal located in Taiwan who knowingly placed the goods in the hands of the shipping company for delivery to Australia. In addition:

- CSC manufactures the goods located in the country of export;
- Goods manufactured by DSC are sold by CSC on behalf of DSC;
- CSC is named as the manufacturer on the sales contract;
- CSC is named as the issuer on the commercial invoice and packing list;
- CSC is named as the shipper on the bill of lading;
- CSC arranges and pays for the inland transport to the port of export;
- In relation to sales that CSGT invoice the customer CSGT arranges and pays for the inland transport to the port of export;
- CSC arranges and pays for the port handling charges at the port of export.

CSC has an agreement with CSGT for CSGT to act as CSC's agent to manage export sales. CSC retains ownership of the goods and CSC invoices the customer. For some sales, CSGT purchases the goods from CSC and carries out minor processing. In these instances, CSGT issues the invoice to the customer.

As stated in Section 6.2 of the Dumping and Subsidy Manual, a vendor may make shipping arrangements, arrange the sale and set prices, but not be considered the exporter of the goods. As CSC generally retains ownership of the goods and CSGT acts on behalf of CSC, the verification team does not consider CSGT's role in the export of the goods, or further minor processing of the goods in certain sales, changes the preliminary finding CSC is the principal in the transaction. The verification team therefore is satisfied that for all Australian export sales during the period that CSC was the exporter of the goods.

² The commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

7.3 Arms length assessment

7.3.1 Unrelated customers

In respect of CSC's Australian sales of the goods to its customers during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all export sales made by CSC to its Australian customers during the inquiry period were arms length transactions.

7.4 Export price – assessment

In respect of Australian sales of the goods by CSC, the verification team recommends that the export price be determined under section 269TAB(1)(a), being the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

³ Section 269TAA refers.

8 Domestic sales

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

8.1.1 Related party customers

In respect of CSC's domestic sales of like goods to its related customer during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁴

However, the verification team found evidence that a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller appeared to influence the price because:

- the related customer is partially owned by CSC; and
- the related customer pays a lower per unit price than unrelated and other related customers, taking into account purchasing volume and models of the goods purchased.

The verification team therefore considers that domestic sales made by CSC to its related customer during the period were not arms length transactions, pursuant to section 269TAA(1)(b).⁵

In respect of CSC's domestic sales of like goods to all other related customers during the period, other than one related customer, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁶

⁴ See section 269TAA(1)(c).

⁵ The commission notes that the finding in this report that the sales to domestic customers did not take place on an arms length basis relates to the assessment of normal values for anti-dumping purposes under section 269TAC. It is not an assessment of the exporter's transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

⁶ Section 269TAA of the Act refers.

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The verification team therefore considers that all domestic sales made by CSC to its related customers, other than one related customer, during the period were arms length transactions.

8.1.2 Unrelated customers

In respect of CSC's domestic sales of like goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by CSC to its unrelated domestic customers during the period were arm's length transactions.

8.2 Ordinary course of trade

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.⁷

The verification team tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction.

The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The team tested recoverability by comparing the net invoice price against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price
Cost	Quarterly cost to make and sell, including direct selling expenses
Weighted average cost	Weighted average cost to make and sell, including direct selling expenses, over the inquiry period.

Table 7 OCOT details

⁷ In general, the commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

8.3 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter. Unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin.

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic model to calculate normal value for the exported model.

The table below details this analysis.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-C-A-01-T1-W1	Y	
P-C-A-01-T1-W2	Y	
P-C-A-01-T2-W2	Y	
P-C-A-01-T3-W1	Y	
P-C-A-01-T3-W2	Y	
P-C-A-01-T4-W1	Y	
P-C-A-01-T4-W2	Y	
P-C-A-02-T3-W1	Y	
P-C-A-02-T3-W2	Y	
P-C-A-02-T4-W2	Y	
P-C-A-03-T3-W2	Y	
P-C-A-03-T4-W2	Y	
P-C-A-04-T1-W2	N	Surrogate model P-C-A-04-T3-W2 with specification adjustment under section 269TAC(8) for the price difference in thickness.
P-C-A-04-T2-W2	Y	
P-C-A-04-T3-W2	Y	
P-C-A-04-T4-W2	Y	
P-C-PI-01-T1-W1	Y	
P-C-PI-01-T1-W2	Y	

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Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-C-PI-01-T2-W1	Y	
P-C-PI-01-T2-W2	Y	
P-C-PI-01-T3-W1	Y	
P-C-PI-01-T3-W2	Y	
P-C-PI-01-T4-W2	Y	
P-C-PI-02-T1-W2	Y	
P-C-PI-02-T2-W2	Y	
P-C-PI-02-T3-W1	Y	
P-C-PI-02-T3-W2	Y	
P-C-PI-02-T4-W1	Y	
P-C-PI-03-T3-W1	Y	
P-C-PI-03-T3-W2	Y	
P-C-PI-03-T4-W2	Y	
P-S-A-01-T1-W2	Y	
P-S-A-01-T2-W2	Y	
P-S-A-01-T3-W2	Y	
P-S-A-03-T3-W2	Y	

Table 8 – Sufficiency test

9 Adjustments

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments.

9.1 Rationale and method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Net invoice value, average payment days and CSC's average short-term borrowing rate.	Y	Y
Domestic packaging	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price based on a difference in packaging costs for domestically sold goods compared to exported goods.	Weighted average cost based on a standard unit cost per tonne and the actual domestic sales quantities.	Y	Y
Domestic inland transport	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Actual domestic inland transport costs.	Y	Y
Domestic commission paid by DSC to CSC	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price based on a difference in the commission rate paid by DSC to CSC for domestically sold goods compared to the commission rate paid for exported goods.	Actual reported commission for domestically sold goods.	Y	Y
Domestic warranty	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Actual domestic warranty expense.	Y	Y
Export packaging	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price based on a difference in packaging costs for exported goods compared to domestically sold goods.	Weighted average cost based on a standard unit cost per tonne and the actual Australian sales quantities.	Y	Y

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Export inland transport	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Weighted average cost based on a standard unit cost per tonne and the actual Australian sales quantities.	Y	Y
Export port charges	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price. Port handling charges included: <ul style="list-style-type: none"> • Customs brokerage fee; • Loading and handling fee; • Survey fee; • Harbour service fee; and • Trade promotion charge. 	Weighted average cost based on actual costs incurred and actual sales quantities listed in the Australian sales listing.	Y	Y
Export bank charges	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Weighted average cost based on actual costs incurred and actual sales quantities listed in the Australian sales listing.	Y	Y
Export commission paid by DSC to CSC	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price based on a difference in the commission rate paid by DSC to CSC for domestically sold goods in compared to the commission rate paid for exported goods.	Weighted average cost based on a standard unit cost per tonne and the actual Australian sales quantities.	Y	Y
Export service fee paid by CSC to CSGT	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Weighted average cost based on a standard unit cost per tonne and the actual Australian sales quantities.	Y	Y
CSGT processing fee	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Actual CSGT processing fee expense.	Y	Y
Export credit terms	Payment terms for Australian sales varied.	No evidence submitted that adjustment for export credit terms was required.	N	N

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Specification	For one MCC with insufficient domestic sales made in the OCOT, a specification adjustment under section 269TAC (8) was applied to a surrogate MCC to account for the price difference in thickness.	Quarterly price difference between the target and surrogate MCC.	N	Y
Timing	Several timing adjustments applied to MCC's that did not return a normal value.	Based on the movement in the most alike MCC model sold in both the target quarter and a base quarter where both sold in OCOT.	N	Y

Table 9 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments are necessary to ensure that the normal value so ascertained properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic commission paid by DSC to CSC	Deduct an amount for domestic commission paid by DSC to CSC
Domestic warranty	Deduct an amount for domestic warranty
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Export bank charges	Add an amount for bank charges
Export commission paid by DSC to CSC	Add an amount for export commission paid by DSC to CSC
Export service fee paid by CSC to CSGT	Add an amount for export service fee paid by CSC to CSGT
CSGT processing fee	Add an amount for CSGT processing fee
Specification	Applied to a surrogate MCC to account for the price difference in thickness
Timing	Several timing adjustments applied to MCC's that did not return a normal value.

Table 10 Summary of adjustments

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

10 Normal value

The verification team found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for determining a price under section 269TAC(1).

The verification team has determined a preliminary normal value under section 269TAC(1).

By using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary. This ensures that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 0 above.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

11 Dumping margin

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by CSC for the period is **3.2%**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

12 Appendices and attachments

Confidential appendix 1	Export price
Confidential appendix 2	Cost to make and sell
Confidential appendix 3	Normal value
Confidential appendix 4	Dumping margin
Confidential attachment 1	Verification work program