



INVESTIGATION 240

**ALLEGED DUMPING OF HOT ROLLED ROD IN COILS
EXPORTED FROM THE REPUBLIC OF INDONESIA, TAIWAN
AND THE REPUBLIC OF TURKEY**

VISIT REPORT - EXPORTER

QUINTAIN 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 THE ANTI-DUMPING COMMISSION**

September 2014

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ABBREVIATIONS

The Act	Customs Act 1901
The applicant	OneSteel Manufacturing Pty Ltd
Commission	Anti-Dumping Commission
CTMS	Cost to make & sell
FOB	Free On Board
GAAP	Generally accepted accounting principles
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry

1 BACKGROUND AND PURPOSE

1.1 Background

On 24 February 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) publish a dumping duty notice in respect of rod in coils exported to Australia from the Republic of Indonesia (Indonesia), Taiwan and the Republic of Turkey (Turkey). OneSteel, the sole manufacturer of rod in coils in Australia, alleges that the Australian industry has suffered material injury caused by rod in coils exported to Australia from Indonesia, Taiwan and Turkey at dumped prices. The applicant claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price depression;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

The Commission examined the application and prepared a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) recommending the application not be rejected, Consideration Report No 240 refers.

The Commissioner, after having regard to the report, initiated an investigation into the alleged dumping of rod in coils from Indonesia, Taiwan and Turkey. Public notification of the initiation of the investigation was made on 10 April 2014 in The Australian newspaper and Anti-Dumping Notice No. 2014/27.

The Australian Customs and Border Protection Service (ACBPS) import database identified that Quintain Steel Co Ltd (Quintain) exported rod in coils from Taiwan to Australia during the investigation period (1 January 2013 to 31 December 2013). The Commission wrote to Quintain advising it of the initiation of the investigation, requesting co-operation with the investigation and providing an exporter questionnaire for it to complete.

Quintain completed the exporter questionnaire, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) expenses for rod in coils.

1.2 Purpose of visit

The purpose of the visit was to verify information submitted by Quintain in its exporter questionnaire response (REQ). The REQ was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and cost data requested in the exporter questionnaire. A non-confidential version of the exporter questionnaire response was placed on the public record.

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The Commission will use the verified information to make preliminary assessments of:

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

1.3 Meeting details

Verification meetings were held at Quintain's Tainan office on Wednesday 17 September 2014 to Friday 19 September 2014 and Monday 22 September. The following representatives were present at various stages of the verification meetings:

Company	Quintain Steel Co Ltd 5F., No.307, Sec. 2, Minsheng Road West Central District, Tainan City, Taiwan
Dates of visit	17 – 19 September, 22 September 2014

The following were present at various stages of the meetings.

Quintain	Charles Pan - President Aaron Chen - Executive Vice President Ying-Chien Kuo - Assistant Vice President Vincent Lin - Assistant Manager - Operation Management Department Hsiung-Fen Li - Manager - Accounting Department Jsui-Ping Hsiao - Assistant Manager – Information Management Department Chia-Cheng Hsu - Chief - Production Control Section Miao Chen Wang - Chief - Accounting Department Wen-Hsein Yang - Plant Manager - Kuan-Tien Plant
Legal representatives Wu & Partners, Attorneys-at-Law	Po-Ching Lee – Associate, Taiwan and New York Emily Liu - Associate Eliza Chan - Associate
Anti-Dumping Commission	Mr Rod Jones - Manager, Operations 3 Mr Reuben McGovern - Investigator, Operations 3

1.4 Preliminary issues and corrections to the exporter response

Prior to the meeting, the Commission forwarded Quintain an exporter visit agenda that included sales transactions and costs selected for detailed verification. Quintain cooperated with the verification of the exporter questionnaire response and provided further information when requested.

At the first meeting Quintain provided details of correction to the information provided in the exporter response. These changes included:

- associated companies including affiliates;

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- minor change to turnover;
- corrections to payment terms and inland freight for domestic sales; and
- corrections to inland freight for Australian sales.

Quintain provided updated turnover, Australian sales and domestic sales spreadsheets. Documents regarding the corrections are at **Confidential Attachment CH1**.

Quintain has not previously been involved in an Australian dumping investigation. The Commission provided Quintain with an overview of the Australian anti-dumping system and details of the current investigation, and informed the company of the availability of further reference materials and case details on the public record of the Commission's website.

1.5 Investigation process and timeframes

The Commission advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 June 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commissioner will not make a PAD until (and if) he becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 17 October; or such later date as the Parliamentary Secretary allows under s.269ZHI of the *Customs Act 1901* (the Act)¹.

The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide his final report and recommendations to the Parliamentary Secretary.

The final report is due no later than 1 December 2014, unless an extension is approved by the Parliamentary Secretary.

Quintain was informed that there are three essential links for the imposition of measures:

1. the Australian industry must be suffering or there must be a threat of material injury; and

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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2. the goods must be dumped; and
3. the dumped goods must be cause of material injury.

Dumping is assessed on goods by comparison of the export price to the normal value.

- The export price is generally ex-works (EW), free on board (FOB) or free alongside ship (FAS) and deductions may be made to get an imported price back to EW, FOB or FAS.
- The normal value is usually assessed on domestic sales in the ordinary course of trade at the same period as the export sales, that is, if export sales are based on the date of contract then normal values are based on the same dates.
- Where no suitable normal values may be done using domestic sales, the Commission may construct normal values based on costs plus, where appropriate, an amount for profit. The Commission may also consider 3rd country sales as a suitable comparison.

Where dumping, injury and a causal link are found duties may be imposed.

- Dumping duty can be as a percentage of the export price, as a fixed amount or a combination of both.
- Duties may be imposed up to the full level of dumping or up to a level required to remove injurious effects (the non-injurious price (NIP)). The NIP is based on the unsuppressed selling price (USP).

Where the Commissioner is satisfied that grounds for duties exist the Commissioner may publish a PAD imposing securities whilst the investigation continues. These securities may be converted to Interim dumping duties (IDD). IDD's may be imposed after an investigation is concluded and the Parliamentary Secretary accepts the Commissioner's recommendation to impose measures. Importers can apply every six months for a final assessment of the IDD that may see none, some or all the duty refunded.

The Commissioner may terminate an investigation before conclusion where the Commissioner is satisfied of any of: no dumping, no material injury or no causal link. An investigation may be terminated against individual exporters and/ or countries.

Decisions by the Commissioner to terminate part or all of an investigation and by the Parliamentary Secretary to impose measures can be appealed to the Anti-Dumping Review Panel (ADRP). In any appeal to the ADRP only information before the Commissioner/Parliamentary Secretary during an investigation may be taken into account.

The Anti-Dumping Commission (ADC) website www.adcommission.gov.au has detailed information on anti-dumping investigation procedures. The Electronic Public Record (EPR) contains all non-confidential information on the rod in coil investigation.

1.6 Visit report

The Commission explained to Quintain that it would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The Commission explained that, in consultation with the company, it would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 COMPANY INFORMATION

2.1 General

Quintain was founded in 1973 as Jiayi Industrial Co Ltd (Jiayi) and began producing galvanised wire for the agriculture, construction and mesh making industry at what is now known as the Yung-Kung Plant (Yung-Kung). Quintain established the Ma-Tao Plant (Mao-Tao) in 1989 to produce spheroidised annealed wire for the screw and fasteners industry.

The Kuan-Tien Plant (Kuan-Tien) was established by Quintain in 1994 to produce and sell hot rolled steel wire rod, the goods under investigation. Kuan –Tien also produces and sells deformed bar.

The Kuan-Tien II Plant (KTII) is currently under construction next to Kuan Tien, Quintain plans to close the Yung-Kung plant and produce galvanised wire at KTII.

Kuan-Tien provides Ma-Tao and Yung-Kung with rod in coils as the raw material from which the galvanised and spheroidised annealed wire is made.

Quintain was listed on the Taiwan Stock Exchange in November 1992 and changed its name from Jiayi to Quintain in July 2006.

Quintain provided a presentation at the commencement of the visit that included:

- a summary of the company's history;
- internal organisational structure;
- associated companies;
- accounting and enterprise resource planning systems;
- the production process for rod in coils;
- its views on the goods under consideration and like goods; and
- an overview of its exports of rod in coils to Australia.

A copy of this presentation is at **confidential attachment GENERAL 1**.

2.2 Accounting structure and details of accounting system

Quintain has developed its own ERP system which leverages off Oracle to provide an integrated accounting system covering sales, purchasing, production and human resource management. This system is also used to prepare the company's financial statements.

Quintain uses the weighted average method to value its inventory of raw materials, work-in-process and finished goods. Quintain closes its books on a monthly basis and allocates shared costs by a process costing method based on steel grades. Within the same steel grade costs are tracked by different types of billet and cross section. Raw material costs are calculated by actual consumption volume cost, while direct labour and manufacturing overhead are allocated by work hours.

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Quintain advised that its accounting practices are in accordance with the generally accepted accounting principles (GAAP) of Taiwan. Its financial accounting period is calendar year.

As part of its REQ Quintain provided its:

- Original and translated audited consolidated financial statements for 2012 and 2013; and
- chart of accounts.

Quintain's consolidated financial statements are audited by Deloitte and Touche, Tapei.

The auditor's report states:

The CPA prepared and carried out the audit in conformity to the rules of audit and verification of Financial Statements by CPA and the generally accepted auditing principles so as to check if there was any material misstatement in the individual financial statements within reason.

The auditors did not express any qualifications in their report.

The accounts of Quintain are maintained in New Taiwan Dollars (NTD).

Sales transactions denominated in foreign currencies are converted into NTD at the exchange rate published by the Customs Authority applicable to the date of the export declaration.

Purchases in foreign currencies are converted into NTD at the exchange rate applied by the relevant financial institution on the date of the letter of credit.

Exchange rate differences arising from invoicing and receipt of payment, and booked values, are recognised in foreign exchange gain and loss accounts.

2.3 Production facilities and process

Quintain operates three separate steel production facilities, Yung-Kung, Ma-Tao and Kuan-Tien. Kuan-Tien is the only facility involved in the production of rod in coils. Quintain conducted an on-site tour of Kuan-Tien, which included a video presentation of the rod in coils production process.

Quintain provided a diagram of the Kuan-Tien facility that details the different buildings and production facilities, a copy of which is at **Confidential Attachment Prod 1**.

During the tour the production of rod in coils was also observed.

Quintain purchases billet, both domestically produced and imported to produce rod in coils. Quintain does not produce any billet.

The production process can be summarised as follows:

- Domestically purchased billet is stored [confidential production information] in covered warehousing, while imported billet is stored in an uncovered billet storage yard, to allow ease of movement when sorting by heat number;

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- The billet may be graded using [confidential production information] and if necessary undergoes grinding for surface quality improvement in the grinding mill;
- The grading, grinding and testing process is a separate process required for billet to produce rod in coils to certain specifications and standards for customer, [confidential production information];
- The billet enters the reheating furnace, a walking beam type of furnace for greater uniformity;
- The heated billet passes through twin rolling lines comprised of a series of rolling stands which gradually shape the steel from square to round sections and reduce its diameter;
- The wire rod passes through water cooling and roller cooling before being coiled and transported on a hook conveyor to be quality tested;
- The wire rod undergoes [confidential production information] analysis before being packed, stored and ultimately transported.

With a minor adjustment to the rolling process the plant can produce deformed bar in coil as well as rod in coils. Quintain advised that the capacity of KT is 400,000 tonnes per annum in any combination of rod in coil or deformed bar.

Details of Quintain's production facilities, capacities and production processes are at **confidential attachment General 1**.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

The goods the subject of the investigation (the goods) are:

Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14 mm.

The goods the subject of the investigation include:

all steel rods meeting the above description of the goods regardless of the particular grade or alloy content.

And exclude:

Deformed Bar in coils and stainless steel in coils.

The goods are referred to as rod in coils in this report.

3.1.1 Tariff classification

The goods are typically classified to subheadings 7213.91.00 (statistical code 44) and 7227.90.90 (statistical code 42) to Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, however, Indonesia and Turkey are designated DCS countries and Taiwan is designated a DCT² country. Rod in coils exported to Australia from DCS and DCT designated countries is free of duty.

The ACBPS Trade Branch confirmed that rod in coils of non-alloy steel is classified to 7213.91.00 if the cross section is circular as well as less than 14 mm in diameter. Rod in coils of other alloy steel are classified to heading 7227, but the reference to subheading 7227.90.90 excludes certain alloys such as silico-manganese steel and non-circular sections.

Following discussions with the Commission, the applicant confirmed that the goods under consideration should be entered under the nominated tariff subheadings. However, the Commission notes that the goods under consideration are defined by the description, not the tariff classification.

3.2 Like goods

In its REQ Quintain provided details on the goods it exported and what it considered were like goods sold on the domestic market.

Rod in coils with a cross section of 14mm and greater

Quintain submitted that it produced rod within the diameter range of [confidential production information], however it classified production up to a diameter of 13mm as wire rod that was used for wire drawing by the end users.

² 'DCT' and 'DCS' are codes applied to classes of countries and places in relation to which special rates apply as specified in Parts 4 and 5 of Schedule 1 of the *Customs Tariff Act 1995*.

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Quintain said that rod production with a diameter 14mm and above had a separate end use, the main end use being on boats and for larger screws, Quintain considered the larger diameters to be bar in coil. Quintain provided an extract from a China Steel brochure that Quintain submitted was a standard specification for rod in coils and bar in coils in the region.

The Commission notes that the China Steel brochure specifies rod in coils as up to 14mm diameter and sizes equal to and greater than 14mm are specified as bar in coils and that sizes 14mm and greater appear to have different end uses to those less than 14mm.

Quintain provided an extract from the China Steel brochure to illustrate grade issues relevant to rod in coils, most notably the importance of carbon content in the production of rod in coils. The carbon content is reflected in the coding applied to steel billet, with [X], for example, reflecting a targeted carbon content of [X]%. The lower the carbon content, the higher the quality of the billet.

Quintain detailed its product coding system in regard wire rod, and demonstrated that in product code [Confidential coding information], for example:

- [Confidential coding information]
- [Confidential coding information]
- [Confidential coding information]

Quintain provided details on the end uses of the different product codes and how their different chemical and tensile properties facilitated those end uses.

Details on the specifications of the products are at **Confidential Attachment Goods 1**.

In terms of export sales, Quintain only exported product code [Confidential coding information] to Australia during the investigation period.

In terms of the domestic market, Quintain’s sales can be summarised as follows:

Product Code	Percentage of Sales (NTD)
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]
[confidential sales information]	[confidential sales information]

Quintain submitted that [confidential sales information] was by far the most prominent product sold on the domestic market and that it considered that the goods sold in the domestic market as represented by product code [confidential sales information] were identical to the goods exported to Australia.

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The Commission reviewed the domestic sales of Quintain and notes that there are clear price differentials between the different steel grades; the Commission also notes that within a grade the prices are generally the same regardless of size.

After considering the information on specifications and prices the Commission is of the view that domestic rod in coils represented by product code [Confidential sales information] are like goods to the exported goods.

The Commission preliminary considers that rod in coils of other steel grades could be also be considered like to the [Confidential sales information] exported goods.

The Commissions analysis of domestic prices is at **Confidential Appendix 1**.

Cost of billet

Quintain said that its sole Australian customer, [Confidential sales information], requires rod in coils with an unique yield strength and to ensure that this requirement is met it uses specific billet sourced from only one supplier, [Confidential sales information].

Quintain said that billet from this supplier, as well as a range of other suppliers, is also used to produce rod in coils for the domestic market. In the domestic sales spreadsheet provided as part of Quintain's REQ it identified domestic sales made from the same billet used for [Confidential sales information]. This billet is identified as [Confidential sales information] on the sales spreadsheet, and identifies billet from [Confidential sales information] was used to make the rod in coil.

Quintain stated that its production and sales systems tracked the individual billet used to the rod in coils sold, thus billet purchased from [Confidential sales information] and sales on the domestic market could be tracked through the system.

Quintain submitted that in comparing domestic sales to export sales only those sales made using the [Confidential sales information] billet should be used for a comparison and that profitability test should be done using only the cost of the [Confidential sales information].

Quintain further submitted if the Commission was to use a constructed CTMS for the normal value the cost of the [Confidential sales information] for the rod in coils exported to Australia should be used in the constructed normal value.

Quintain was asked to demonstrate the tracking of billets used for selected domestic sales.

Quintain provided a listing of its billet suppliers and codes and an explanation of the codes. Each billet is identified by [Confidential sales information] for type of billet and the supplier of the billet which is also identified by its own unique code.

The sales were of [Confidential sales information] product that identified billet from [Confidential sales information] using imported billet and sales of [Confidential sales information].

Quintain demonstrated the linkages between the sales of the different products and the billet used in making the product using different modules of its ERP system.

The invoice from the sale is linked to [Confidential internal sales system information]. [Confidential sales information].

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[Confidential internal sales system information]. Quintain provided screen shots from the ERP modules for each step of the tracking process.

Documents linking the billet purchased to sales of the rod in coils are at **Confidential Attachment Goods 2**.

The Commission is satisfied that the types of billet used to produce the exported and domestic products were reflected in the respective sales spreadsheets.

In reviewing domestic sales the Commission notes that prices for the [Confidential sales information] were generally similar to prices for the [Confidential sales information].

Quintain noted that on occasion [Confidential sales information]. [Confidential sales information]. [Confidential sales information].

The Commission view on the cost of billet used for a constructed normal value, should it be required, is that the cost of [Confidential sales information].

4 SALES TO AUSTRALIA

4.1 Sales to Australia

4.1.1 Distribution channels

Quintain sells to one customer in Australia, [Confidential sales information]. Quintain did not have any agency or distributor agreements during the investigation period and no commission was paid in relation to export sales to Australia.

Quintain said that its main focus was on its domestic market, which accounted for approximately [Confidential sales information] of its sales of rod in coils. Exports to Australia accounted for approximately [Confidential sales information] of sales, with exports to other countries totalling [Confidential sales information].

The selling process begins with an inquiry from [Confidential sales information] for the supply of rod in coils to certain specifications and quantities within a specified delivery schedule. Export selling prices are negotiated via telephone or email, and on a case by case basis [Confidential sales information]. Pricing is in USD per metric tonne (MT), the same price per tonne applied for the different sizes.

Once a selling price is negotiated Quintain sends the contract to [Confidential sales information] for signing, and upon signing production proceeds. Terms are letter of credit (L/C) at sight. As soon as the letter of credit (L/C) is received from [Confidential sales information] Quintain ships the merchandise along with the commercial invoice and shipping documents.

Delivery terms are free on board (FOB) and separate invoice is drawn up for each shipment and payment is made to that invoice.

The Commission reconciled Quintain's sales to [Confidential sales information] with ACBPS's import data base and found only minor variances.

4.1.2 Discounts, rebates and allowance

Quintain stated that [Confidential sales information]. The Commission did not find any evidence that Quintain offered [Confidential sales information].

4.1.3 Date of sale

Quintain recorded the date of sale as the date of the sales invoice which was prepared on the date of the export declaration.

The Commission obtained copies of all [confidential sales information] sales contracts relevant to the investigation period and for the selected invoices the Commission did not observe any changes in prices, delivery and payment terms from that stated in the contracts.

The Commission considers that the date of agreement of the individual contracts reflects, and should be used as, the date of sale for the individual shipments and for comparing export sales to domestic sales.

4.2 Verification of sales to audited financial statements

Quintain demonstrated, using its financial management system, that sales revenue as recorded in the audited financial statements for 2013 reconciled with the net operating revenue for the three production facilities as detailed in the company's internal income statement for 2013.

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Quintain demonstrated to the Commission the source data from its ERP system for total sales, domestic sales and export sales, screen prints were provided for each step of the demonstration.

Quintain also provide a line by line listing of all sales for Kuan-Tien from its sales module that includes sales of deformed bar. The total sales reconciled with the operating revenue for Kuan-Tien as detailed in the company's internal income statement.

In relation to total production from Kuan-Tien, Quintain used filtering techniques to demonstrate to the Commission total export sales and total sales to [Confidential sales information] as well displaying screen prints direct from its ERP system. The totals calculated for each category reconciled with the totals contained in the "turnover of the sector including goods under consideration (GUC) component" of the turnover spreadsheet submitted with its REQ.

Quintain further filtered the Kuan-Tien data to exclude goods not under consideration and to demonstrate to the Commission the total export sales of the GUC as well as the total sales of the GUC to [Confidential sales information]. The totals calculated for each category reconciled with the totals contained in the "turnover of the GUC" component of the turnover spreadsheet submitted with its REQ.

The total sales of the GUC to [Confidential sales information] further reconciled with the line by line listing of sales to [Confidential sales information] Quintain provided as part of its REQ.

Quintain also provided a reconciliation of the rod in coils segment sales by quantity and value as stated in the audited accounts.

The Commission is therefore satisfied that the domestic and export sales data provided by Quintain is complete and accurate.

Documents reconciling sales to the financial statements are at **confidential attachment Rec 1**.

4.3 Verification of export sales to source documents

Quintain provided a list of all its export sales to Australia during the investigation period and copies of export transactions for two shipments in its REQ.

Quintain advised that following a review of the Australian Sales Spreadsheet submitted with its REQ they had detected a clerical error in regard inland freight for two shipments. The spreadsheet had been amended and a new version was provided.

To facilitate downwards verification of Quintain's export sales to source documentation, prior to the visit the Commission requested that Quintain provide supporting documents for a further six selected invoice numbers. Quintain provided the following documents for each of these selected shipments:

- Sales contract;
- Commercial invoice;
- Packing list;
- Bill of Lading;
- Certificate of Origin;
- Mill test certificates
- Delivery notes;
- Customs export declaration;

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- Accounts receivable sales voucher;
- Bank remittance and corresponding accounts receivable voucher;
- Inland freight summary and receipts for payment;
- Brokerage fee invoices and receipts for payment;
- Loading fee invoices and receipts for payment;
- Harbour service fee invoices and receipts for payment;
- Trade promotion fee invoices and receipts for payment;
- Bank statement re handling charge, wire/mail fee and negotiation interest; and
- Settlement advice detailing settlement charges.

The Commission was able to reconcile each item from the revised Australian Sales Spreadsheet to the source documents. In addition the Commission was able to reconcile the amounts paid by Quintain for inland freight against the freight rates contained in the freight contracts it provided.

Quintain explained that for the export sales the date of invoice was recognised as the date of sale for revenue recognition purposes. The date of invoice was determined as the date the goods received customs clearance. The customs exchange rate detailed on the customs clearance was used for the conversion of USD to NTD when recognising revenue in Quintain's accounts. [Confidential sales information]. Any difference between the conversion from USD to NTD at receipt into the bank and that recorded at the sales date was booked to foreign exchange (forex) gains and losses.

Quintain provided documents for selected invoices showing that the date of invoice reconciled with the date of the export declaration, the conversion of the sales amount from USD to NTD using the customs exchange rate for that date, the recognition of this amount as sales revenue in the accounts, and the recognition of a foreign exchange gain or loss on receipt of payment from the customer.

The Commission considers that the export sales data provided by Quintain is accurate.

Supporting documentation for the selected shipments is at **confidential attachments EXP 1**.

4.4 Forward orders

Quintain provided details of forward orders, the last order Quintain received was in early April 2014 which was shipped in late April 2014.

Details of forward orders are at **confidential attachment EXP 2**.

4.5 The exporter

The Commission considers Quintain was the exporter of the goods. Quintain:

- manufactured the goods to the specific order of [confidential sales information];
- was listed as the supplier on the bill of lading;
- invoiced the Australian customer for the goods;
- arranged and paid the inland freight;
- was 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 purchaser of the goods.

4.6 The importer

The Commission considers that [Confidential sales information] was the importer of the goods. [Confidential sales information]:

- Is named as the buyer on the sales contracts;
- Is named on the commercial invoice; and
- Is named on the packing lists and mill test certificates.

On the evidence collected and verified at the visit with Quintain and other available information, including that verified with [Confidential sales information] the Commission considers that [Confidential sales information] was the beneficial owner of the goods at the time of importation and is therefore the importer.

4.7 Arms length

In respect of Quintain's sales of rod in coils to its sole Australian customer during the investigation period, the Commission found no evidence that:

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

The Commission therefore considers all of Quintain's export sales to Australia during the investigation period were arms length transactions.

4.8 Export price – preliminary assessment

For export sales to Australia by Quintain, the Commission considers:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter; and
- the purchases of the goods were arm's length transactions.

Therefore, the Commission considers that export prices can be established under section 269TAB(1)(a) using the invoiced price less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation.

Export prices have been calculated on a monthly basis on a unit value per tonne in NTD, fob, cash.

Quintain's updated export sales listing and a summary of export prices are at **confidential appendix 2**.

5 COST TO MAKE & SELL

5.1 Approach to verification

Quintain's exporter questionnaire response contained cost to make and sell (CTMS) spread sheets for rod in coils produced and sold domestically in Taiwan and exported to Australia for the calendar year 2013. Quintain reported the monthly cost of production for rod in coils sold on the domestic and export market.

The costs were reported by:

- product code, eg [Confidential sales information];
- process code – for type of billet, 'E' for billet produced using an electric arc furnace (EAF) or 'B' using a blast oxygen furnace (BOF). Quintain explained that certain types of rod in coils required billet produced from a BOF;
- specification – cross section of 5mm or cross section of 5.5mm or greater. Quintain explained it separated its costs into the two sizes only as the smallest cross section was more expensive to produce due to the longer production times;
- Grade – all products were grade 'A';
- Production quantities; and
- Sales quantities for each specification.

Costs in the spreadsheets comprise:

- material costs;
- direct labour;
- manufacturing overheads;
- other costs;
- selling costs;
- administration;
- research and development (R&D) costs; and
- financial costs.

Material costs plus direct labour and manufacturing overheads comprise total manufacturing costs. Other costs are a negative cost including revenue from scrap sales and changes in inventory.

The Commission emphasised that it wanted to reconcile the cost data upwards to audited financial statements and management reports to ensure completeness of the data and also downwards to supporting source documentation to ensure accuracy and reliability of the data.

5.2 Quintain's cost accounting system

Quintain uses its own developed ERP process cost accounting system to record costs and prepare the company's financial statement data. The system uses actual costs calculated and closed off at the end of each month. Quintain provided a cost recording flowchart in its presentation at **Confidential Attachment G1**.

Quintain has [Confidential cost information]production cost centres:

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- [Confidential cost information]
- [Confidential cost information]
- [Confidential cost information]
- [Confidential cost information]

Manufacturing costs for the production of rod in coils are reported in the [Confidential cost information] cost centre.

Costs in the [Confidential cost information] cost centre relate to the relocation of the [Confidential cost information]. Quintain explained the [Confidential cost information] was being relocated [Confidential cost information]; [Confidential cost information].

Costing is tracked by [Confidential cost information] and is recorded in the different modules associated with production.

The cost of the billet is a weighted average cost for each month and is captured in the inventory management module.

The first step in the process sees all billet pass through quality and assurance (QA) testing before being entered into the billet inventory. [Confidential cost information] are entered in the inventory module. Rejected billet is returned for credit or exchange.

There is a separate costing module for [Confidential cost information]. The cost of this process is added to the cost of the billet in the inventory management system, Quintain refers to this process as [Confidential cost information]. Billet that does not undergo this process is referred to as [Confidential cost information].

The order module for sales ties into the routing and production modules that link the billet used in production to the products sold.

The production process module captures all of the production costs for producing rod from billet and includes details on steel grade, size and weight. The finished product is then entered into the rod finished goods inventory.

The shipment module records the weight of each coil sold.

Direct labour is [Confidential cost information], other labour costs are captured in manufacturing overheads which are [Confidential cost information]. Quintain explained that the harder grades, ie higher carbon content, take longer to process and thus cost more to produce.

Each production plant has its cost account module to track and record production costs, and also has its own fixed asset and inventory modules. [Confidential cost information].

The other cost centre associated with the goods comprises seven departments dealing with the general and administrative parts of the businesses:

- Operations – billet procurement and mainly export rod sales;
- Development – R&D;
- Information – mainly IT support;
- Management – mainly human resources;
- Financing – borrowing and investment;

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- Accounting – overall general accounting; and
- reinvestment

5.3 Cost to make

5.3.1 Completeness and relevance

Quintain provided domestic and exporter CTMS spreadsheets as part of its exporter response. The domestic CTMS details costs on a monthly basis by [Confidential cost information], including export and deformed bar.

Quintain provided a reconciliation of the manufacturing cost to produce rod in coils in its CTMS domestic spreadsheets to the audited accounts as follows:

- The total cost of goods sold (COGS) reconciled to the audited accounts;
- Details of a minor end of year adjustment to the COGS was provided;
- Income statements of the three plants reconciled to the total COGS;
- The individual income statement for [Confidential cost information] with a detailed breakdown of operating costs reconciled to the COGS shown in the income statements for the three plants;
- The detailed finished goods inventory ledger, by grade, billet type and size, reconciled to the details in the operating cost statement for [Confidential cost information]; and
- The quantity and value amounts in the detailed unit production cost ledger, by grade, billet type and size reconciled to the amounts shown in the CTMS spreadsheet.

Other costs in the CTMS spreadsheet include revenue from sales of scrap and changes to inventory as detailed in the income statement. Quintain had allocated the total of these amounts over the total manufacturing cost on a line by line basis to arrive at the calculated ratio of approximately [Confidential cost information].

The Commission considers only that revenue relating to scrap for rod in coils should be allocated and recalculated the ratio at [Confidential cost information].

Documents reconciling manufacturing costs to the audited accounts are at **confidential attachment CTM 1**.

5.3.2 Verification of manufacturing costs – all rod in coil

As noted above manufacturing costs comprise material costs plus direct labour and manufacturing overheads. We verified in details the manufacturing costs for the domestic CTMS for March 2013.

Manufacturing costs in the spreadsheet are sourced from the finished goods inventory ledger, the production tonnes and value reconciled to the amounts for March in the CTMS spreadsheet. [Confidential cost information] are shown at inventory value.

The individual values for products on the finished ledger reconciled to the values shown on the CTMS spreadsheet.

Material costs

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The production cost sheet reconciles the total manufacturing costs and quantities to the finished goods inventory ledger and provides a breakdown on the raw material costs, direct labour and manufacturing overheads that comprise the manufacturing cost.

Raw material costs comprise ungraded, and where used, graded billet from inventory. We noted that the [Confidential cost information] grade showed that graded as well as ungraded billet was used to produce rod in coils for March 2013. Quintain explained that graded billet was not generally required to be used for the [Confidential cost information] but at times there may be a small amount of graded billet left in inventory from a special order that was used to produce the [Confidential cost information]. The amount of graded billet used in March 2013 for the [Confidential cost information] was minor at approximately [Confidential cost information].

The value and quantity of the billet used is sourced from the raw material inventory ledger for billet shown as the stock out quantities and values. The ledger includes details on opening stock, purchases in, changes to grades, total inventory value, stock out and closing stock.

Quintain explained that [Confidential cost information]. This may happen [Confidential cost information].

Direct Labour

Quintain provided the production labour cost ledger for March 2013.

Direct labour is assigned to individual grade based on [Confidential cost information]. [Confidential cost information].

Quintain provided individual workings, including timesheets recording stop/start and total times for selected individual grades.

Overheads

Overheads include salaries and wages, electricity and fuel.

Overheads comprise direct overheads relating to the [Confidential cost information].

Indirect overheads are allocated to [Confidential cost information]. Overheads are then allocated to [Confidential cost information].

Quintain provided ledgers for the overheads for March 2013, detailed by cost, department and cost centre. Quintain also provided the fixed assets register for the rolling and grading plants.

Documents reconciling the manufacturing costs for March 2013 are at **confidential attachment CTM 2.**

The Commission asked for documents to substantiate the value of purchased billet shown in the raw material inventory ledger for billet for the [Confidential cost information].

For billet purchased from [Confidential] Quintain provided copies of documents including:

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- purchase order;
- Invoice;
- Payment; and
- Delivery costs (terms were ex-works).

For imported billet Quintain provided copies of documents including:

- Purchase orders;
- Invoices;
- Payments;
- Delivery costs including clearance charges from Kaohsiung, Taiwan (terms were cost insurance and freight)

The imported billet is purchased in USD; the rate of exchange applying at the date of the letter of credit is used for calculating the exchange rate for the value of the order in NTD. Differences in exchange rates from the date of order to the date of payment are booked to foreign exchange gains and losses.

The documents provided supported the value of the billet shown for stock in the the inventory ledger for March 2013.

Documents relating to billet purchases are at **confidential attachment CTM 3.**

Depreciation includes land improvements, building, mechanical and other. To substantiate the depreciation cost in March 2013 Quintain provided a breakdown of the depreciation amounts for each category and the shared amounts between cost centres.

A more detailed schedule for individual items was provided confirming that items were depreciated in line with that stated in the audited accounts.

Documents relating to depreciation are at **confidential attachment CTM 4.**

Fuel cost for March 2013 comprises the cost of diesel fuel for the reheating furnace for the billets. The fuel cost is calculated on fuel consumed for March, the consumables inventory ledger was provided detailing opening stock, purchasing in, changes in stock, closing stock and consumption for March 2013 to give closing stock.

Quintain provided copies of the purchase order, invoice and payment to support the cost of fuel purchased. These documents are at **confidential attachment CTM 5.**

Quintain is billed monthly for electricity [Confidential cost information]. A small proportion of the electricity cost [Confidential cost information] is allocated to [Confidential cost information] whilst the balance is allocated to [Confidential cost information]. Of this amount [Confidential cost information] is allocated to [Confidential cost information], this allocation is based on experience. Quintain advised that rolling and grading used to have separate meters but these are not used now. The Commission considered the allocation of electricity to be reasonable.

Quintain provided copies of the electricity bill, payment and allocation for March 2013 to support the amounts shown in the manufacturing costs. These documents are at **confidential attachment CTM 6.**

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The Commission was satisfied that the information provided by Quintain reasonably reflected the manufacturing cost for rod in coils, noting the change to other costs at section 5.3.1.

5.3.3 Verification of manufacturing costs – rod in coil exported to Australia

The export CTMS worksheet details costs on a monthly basis for the rod in coils exported to Australia during the investigation period.

The export CTMS is in the same format as the domestic CTMS with costs detailed on a monthly basis.

Quintain explained [Confidential sales information] was used to make the rod in coils for the exports and the sizes [Confidential sales information].

The material costs in the export CTMS are the material costs of the [Confidential cost information]. The yield rate, amount of billet used to make the exported rod in coil is based on the yield rate for [Confidential cost information] from the production data.

Quintain provided documents to verify the manufacturing costs for the export CTMS for March 2013 as was done for the domestic CTMS.

The Commission noted from the documents that the yield rate calculated did not include graded billet in the calculations. Quintain provided raw material inventory ledgers for each month that showed graded billet had been used in four of the months.

The Commission recalculated the yield rate to include the usage of graded billet, the amount of graded billet was minor and the effect on the yield rate was minimal.

The documents provided supported the other manufacturing costs in the export CTMS spreadsheet. The Commission verified the cost of the billet for March 2013 as part of the verification of the domestic CTMS. The Commission also requested screen shots of the [Confidential cost information] cost from inventory for April, October and December 2013, the inventory costs matched to the costs for the relevant months on the export CTMS.

Documents relating to the verification of the export CTMS are at **confidential attachment CTM 7.**

The Commission was satisfied that the information provided by Quintain reasonably reflected the manufacturing cost for exported rod in coils, noting the change to other costs at section 5.3.1 and the yield rate noted above.

5.4 Selling, general and administration (SG&A) expenses

Quintain calculated selling, administration, R&D and finance expenses based on the [Confidential cost information].

Quintain's calculation of SG&A expenses is at **confidential attachment SG&A1.**

Kuan-Tien has its own sales department and selling expenses are shown in the income statement. Selling expenses are comprised of direct and indirect expenses.

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Direct selling expenses are freight, commissions and export expenses (harbour fees, bank charges, trade promotion fees, ocean freight, brokerage). Direct selling expenses are excluded from the SG&A as these costs are already included in the export and domestic sales spreadsheets. Quintain provided ledgers to support the total selling expenses and indirect and direct expenses, these documents are at **confidential attachment SG&A2.**

Administration expenses comprise direct administration expenses for Kuan-Tien and allocated head office expenses. Head office administration expenses are allocated on the basis of the three plants share of individual operating costs over total operating costs. The Commission considers the method of allocation to be reasonable. Documents supporting the allocation of administrative expenses are at **confidential attachment SG&A3.**

R&D expenses are a direct expense to each of the three plants and are shown in the income statement.

Finance expenses comprise interest income, gains on disposal of assets, interest expenses, gains on financial assets and foreign exchange gains and losses. Finance expenses are allocated on the same basis as administrative expenses, which the Commission considers to be reasonable.

Quintain explained that interest income was earned from payment receipts from customers in the bank accounts. The Commission explained that interest income from bank accounts could be interest earned on balances that had built up in the accounts from prior years. The Commission asked Quintain if it could demonstrate how the interest income was earned from the sales of rod in coil during the investigation period. Quintain did not provide evidence to support the interest income being related to the sales of rod in coils. Interest income was removed from the calculation of SG&A expenses.

The Commission advised Quintain that it did not consider the gains on disposal of assets to be a finance expense associated with the production and sales of the goods; this amount was removed from the calculation.

Interest expenses are a whole company expense relating to the [Confidential cost information].

Gains on financial assets relate to realised and unrealised gains on USD contracts purchased for the importation of imports, mainly billet. Unrealised gains is the amount at balance date which the Commission considers is not applicable as it is a notional amount at balance date not a realised amount.

Quintain provided documents to evidence the actual amount that was realised post balance date from the unrealised amounts. The Commission explained to Quintain that to consider actual realised amounts the realised gains in the accounts would also have to be individually considered for what amounts were realised from the previous year. The Commission considered it reasonable to accept that there were realised gains from the previous year in the realised amounts. Quintain did not provide documents to detail the realised amounts. The Commission removed the unrealised gains from the calculation.

Realised gains apply only to the importation of billet and thus should form part of the domestic SG&A only as no imported billet is used for the exported good.

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Foreign exchange gains and losses relate to export sales and imports, including imports of billet.

The Commission discussed foreign exchange gains and losses with Quintain and the link to the production and sale of the rod in coils.

Foreign exchange gains and losses apply to imported billet and exported rod in coils. Quintain said that the gains and losses should not form part of the SG&A for exported goods as it could provide details of the gains and losses relating to the export sales and local billet only was used to produce the exported goods.

Quintain provided documents to support the foreign exchange gains and losses made on the export sales.

The Commission considered that the approach by Quintain was reasonable for the treatment of foreign exchange gains and losses.

Documents relating to finance expenses are at **confidential attachment SG&A4.**

The Commission calculated SG&A expenses excluding interest income, gains on disposal of assets and unrealised gains on financial assets. SG&A expenses for domestic sales were calculated using the stated foreign exchange gains and losses amounts, less the amounts on export sales. SG&A expenses for export sales were calculated using the actual foreign exchange gains and losses on those sales.

SG&A calculations are at **confidential appendix 3.**

5.5 Costs to make and sell - conclusion

The Commission is satisfied that sufficient information was available and verified to substantiate the CTMS for rod in coils provided by Quintain.

The Commission considers the information provided by Quintain with changes as in this section reasonably reflected the CTMS for rod in coils.

Separate CTMS for export and domestic sales was verified.

Changes to the CTMS data were:

- Amounts presented as 'Other' in the export and domestic CTMS;
- Yield rates for the export CTMS; and
- Changes to the SG&A for domestic and export sales.

The Commission considers the CTMS data is suitable for

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The Commission calculated a domestic CTMS for each steel grade and size, 5mm and 5.5mm and greater.

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SG&A has been separately calculated for export and domestic sales based on the cost of the goods.

The CTMS for domestic and export products is summarised at **confidential appendix 4**.

6 DOMESTIC SALES

6.1 Market

Quintain sells rod in coils to end users on the domestic market. Sales are made directly to the customers and there are no intermediaries involved in the transactions.

Quintain saw its main competitors in the market as [Confidential sales information]. Quintain said both companies manufactured and sold rod in coils in Taiwan, [Confidential sales information].

Quintain said that there were no restrictions on pricing in the market. Quintain explained that prices in the domestic market were influenced by imports from China and Russia which were the price leaders.

Quintain advised that the Taiwanese government established a licencing system approximately 10 years ago in relation to the importation of Chinese steel products; however steel products from China continue to exert a substantial influence on the market.

Quintain said there were no restrictions on imports from Russia and other countries.

6.2 Transfers to associated companies

As noted in previous section provides [Confidential sales information] with the rod in coil from which the two plants make their finished products.

Quintain advised that the rod in coils are transferred from [Confidential cost information].

The three production plants meet monthly to discuss the transfer price and expected volumes, orders are done on a monthly basis with some stock held by the plants. There are no sales invoices issued for the transfers between the plants and no payments made or received for the transfers.

The Commission verified the transfer costs between the production plants and the volumes transferred in the process of verifying manufacturing and SG&A costs.

The Commission received a complete listing of all sales in its verification of sales and notes that there are not any sales in that listing to either Ma-Tou or Yung-Kung.

The Commission does not consider that the transfers from [Confidential cost information] constitute sales of rod in coils but are more internal transfers within the company. The internal transfers have not been included in the assessment of domestic sales.

6.3 Domestic sales process

Quintain advised that it was not related to any of its customers that it sold rod in coils to.

Quintain provided a description of its sales process in its REQ, and provided additional detail at the verification visit.

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Domestic customers contact Quintain by email or phone. There is no set pricing or price list used, [Confidential sales information]. The sale price is determined by individual negotiation for each sales order with the price set for that month for the customer.

Sales are generally produced to order, however Quintain advised that it will on occasion produce additional rod in coils which is carried as stock. This will generally be of the most common specification [Confidential sales information] which can be easily turned over. Quintain advised that there are also spot orders each month which are sold at higher prices.

Delivery terms are agreed in the negotiation process and are either ex-works or delivery at place (DAP).

Different payment terms are provided to customers depending upon the length of patronage and/or Quintain's assessment of the payment risk involved with a particular customer. Terms may be [Confidential sales information].

6.3.1 Discounts, rebates and allowances

Quintain stated that [Confidential sales information].

Quintain advised that its domestic sales [Confidential sales information]. [Confidential sales information]

Quintain demonstrated to the Commission using its financial management system how the [Confidential sales information] and [Confidential sales information].

6.3.2 Date of sale

Quintain submitted that it considered the date of sale for domestic sales to be the date of invoice, which was prepared once the L/C was received. For the selected domestic sales the Commission did not observe any changes in prices, delivery and payment terms from that stated in the contracts.

A typical purchase order would be issued for that month's supply at the same price which was delivered throughout the month. Sales invoices are issued when the products are delivered to the customer.

The Commission notes that the date of invoice was within a short period after the date of the order and considers that the date of invoice is suitable to use as the date of sale when comparing export sales to domestic sales.

6.4 Verification of sales to audited financial statements

Quintain provided a list of all its rod in coils domestic sales from 1 January 2013 to 31 December 2013 and copies of two domestic transactions in its REQ.

Quintain advised that following a review of the Domestic Sales spreadsheet and Turnover spreadsheet submitted with its REQ, they had detected a minor anomaly which it had been able to reconcile as relating to a sale of goods that had not in fact been delivered. Quintain submitted a revised Turnover spreadsheet correcting this anomaly.

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At the verification Quintain was also able to provide an extended line by line list detailing all sales of production from Kuan-Tien, the sum of which reconciled with the operating revenue for Kuan-Tien as detailed in the company's internal income statement.

In relation to total sales, Quintain used filtering techniques to demonstrate to the Commission the calculation of total domestic sales. This involved filtering to exclude export sales, sales of goods not under consideration and applicable reconciliations relating to rebates and returns. The total calculated for domestic sales reconciled with the total contained in the revised "turnover of the GUC" component of the Turnover spreadsheet submitted with its REQ.

The total domestic sales of the GUC further reconciled with the line by line listing of domestic sales Quintain provided as part of its REQ.

The Commission is therefore satisfied that the domestic sales data provided by Quintain is complete and accurate.

Documents reconciling export sales to the financial statements are at **confidential attachment Rec 1**.

6.5 Verification of sales to source documents

To facilitate downwards verification of Quintain's domestic sales to source documentation, the Commission requested that Quintain provide supporting documents for a further twelve selected invoice numbers. Quintain provided the following documents for each of these selected transactions:

- Purchase order;
- Sales invoice;
- Delivery notes;
- Tax invoices;
- Vouchers for accounts receivable recognition and payment;
- Bank statements evidencing receipt of funds;
- Details on sales rebates or returns; and
- Details on transport charges.

The Commission was able to reconcile each item from the Domestic Sales spreadsheet to the source documents. Supporting documentation for the selected transactions is at **confidential attachment DOM 1**.

Quintain listed transportation costs in its sales listing and provided two transportation contracts and sample invoices to demonstrate the charges. The transportation charges vary depending on the customer's location, and the Commission confirmed that the charges shown on the sales listing matched to the charges shown on the contract. Documents relating to the transportation costs are at **confidential attachment DOM 2**.

The Commission considers that the domestic sales data provided by Quintain is accurate.

6.6 Arms length

In respect of Quintain's domestic sales of rod in coils, the Commission found no evidence that:

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- there was any consideration payable for or in respect of the goods other than their price; or
- the price was 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, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The Commission therefore considers Quintain's domestic sales during the investigation period were arm's length transactions.

6.7 Volume of sales and ordinary course of trade

Domestic sales cannot be used to establish normal values if the volume of domestic sales that are in the ordinary course of trade is less than 5% of the volume of comparable goods exported to Australia.

The Commission first compared the unit invoice price paid for domestic sales of [Confidential sales information] rod in coil of 5.5mm and greater that used the [Confidential sales information] with the fully absorbed CTMS for the [Confidential sales information] rod in coil of 5.5mm or greater [Confidential sales information] for the corresponding month.

Sales of rod in coil at a loss were greater than 20% of the volume of sales. The Commission then compared the selling prices of the loss making sales with the weighted average CTMS for the investigation period to test whether those sales may be taken to be recoverable within a reasonable period of time.

Sales in the ordinary course of trade were only made in the months of [Confidential sales information] whilst export sales were made in the months of [Confidential sales information].

The Commission then compared sales of [Confidential sales information] with the fully absorbed CTMS for each grade. The sales and CTMS for the [Confidential sales information] grade excluded the [Confidential sales information] sales and costs.

The Commission found sales in the ordinary course of trade for the [Confidential] rod in coils in each month of the investigation period except for July. Sales for the other models in the ordinary course of trade did not occur in as many months and were in lower volumes.

The Commission proposes to establish normal values under TAC(1) using sales of [Confidential sales information] in the ordinary course of trade.

6.8 Sales by other sellers

There are other sellers of rod in coils in Taiwan, however the Commission does not have information on those sellers costs and sales.

6.9 Third country sales

Quintain advised that [Confidential sales information] for rod in coils. Information verified during the visit showed that Quintain had exported a small volume of rod in coils during the investigation period.

Quintain advised in its REQ that it did not provide details of third country sales as it believed its domestic market sales were representative for use for normal valuation determination.

The Commission considers it has sufficient information to determine a normal value in the ordinary course of trade or on the basis of costs (if required) and did not seek to examine third country sales.

6.10 Domestic sales – summary

Based on the information provided by Quintain, and the verification processes conducted on site, the Commission is of the view that sales of [Confidential sales information] rod in coils in the ordinary course of trade can be used to establish normal values under 269TAC(1).

Quintain's domestic sales listing and the Commission's ordinary course of trade calculations are at **confidential appendix 5**.

7 NORMAL VALUE

7.1 Normal value

The Commission considers that information gathered and detailed in this report and its attachments can be relied upon to establish normal values for comparison with export prices for rod in coils exported to Australia during the investigation period under s. 269TAC(1).

The Commission has established normal values under s.269TAC(1) using sales of [Confidential sales information] rod in coils.

In the month of July where there was no normal value the Commission used a normal value that was the midpoint of the June and August normal values.

Normal values were established at an ex-factory point.

7.2 Adjustments

The Commission has made adjustments to the normal values under s. 269TAC(8) to make them fairly comparable with export prices by adjusting for:

- Domestic and export SG&A;
- Physical differences; and
- Adding export expenses;

7.3 SG&A

The Commission adjusted the normal values down by the amount of domestic SG&A and up by the amount of export SG&A

7.4 Physical differences

Quintain submitted in its REQ that the physical characteristics of the exported goods were different to the domestic like goods due to the steel billets used.

The Commission has adjusted the normal values down by the production cost of the [Confidential sales information] billet and adjusted the normal values up by the material cost of the [Confidential sales information]. The Commission grossed up the difference in production costs for SG&A and the weighted average profit of the [Confidential sales information] rod in coils sold on the domestic market.

7.5 Domestic freight

Normal values were constructed at an ex-factory level, an adjustment is not required.

7.6 Export transport, handling, loading and ancillary expenses

Quintain reported transaction specific expenses incurred to transport the goods to port and load the goods onto the ship at the port of export for each export transaction. These expenses included trade promotion charges, harbour service fees, loading fees and brokerage fees. The expenses were verified for each selected export transaction.

The Commission adjusted the normal values up for these expenses.

7.7 Packing expenses

Quintain advised that there was no difference in packing expenses as the exported goods were shipped break bulk and did not incur any charges that would not be incurred for like domestic goods.

7.8 Other adjustments

Quintain did not claim and the Commission did not identify any other adjustments.

Details of adjustments to the normal values are at **confidential appendix 6**.

8 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin the Commission compared weighted average export prices with the corresponding monthly normal value.

The Commission used the date of order confirmation as the date of sale for export and the date of sale of invoice for domestic sales in comparing transactions.

The weighted average dumping margin for rod in coils was **9.0%**.

Dumping margin calculations are at **confidential appendix 6**.

Subsequent to the visit Quintain provided a submission on the like goods used for the normal values and the dumping margin calculations. A copy of the submission is at **Confidential Attachment DM 1**.

9 APPENDICES AND ATTACHMENTS

Confidential appendix 1	Like goods
Confidential appendix 2	Export Sales and Price
Confidential appendix 3	SG&A
Confidential appendix 4	CTMS Domestic and Export
Confidential appendix 5	Domestic Sales and OCOT
Confidential appendix 6	Normal values, adjustments and Dumping Margins
Confidential attachment CH1	Corrections to EQ Response
Confidential attachment General 1	Quintain presentation
Confidential attachment PROD 1	Production facilities and layout
Confidential attachment GOODS 1	Product specifications
Confidential attachment GOODS 2	Billet purchases and rod in coil sales links
Confidential attachment REC1	Reconciliation Sales to Audit accounts
Confidential attachment EXP 1	Selected export sales documentation
Confidential attachment EXP 2	Forward orders
Confidential attachment CTM 1	Manufacturing costs to Audit accounts
Confidential attachment CTM 2	Manufacturing costs March 2013
Confidential attachment CTM 3	Billet purchases
Confidential attachment CTM 4	Depreciation
Confidential attachment CTM 5	Diesel fuel – reheating furnace costs
Confidential attachment CTM 6	Electricity costs
Confidential attachment CTM 7	Export CTM
Confidential attachment SG&A1	SG&A allocations
Confidential attachment SG&A2	Selling expenses
Confidential attachment SG&A3	Administration expenses
Confidential attachment SG&A4	Finance expenses
Confidential attachment DOM 1	Selected domestic sales documents
Confidential attachment DOM 2	Transport charges
Confidential attachment DM 1	Submission on like goods and calculations