



INVESTIGATION 240

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

EXPORTER VERIFICATION REPORT

**HABAŞ SINAI VE TIBBI GAZLAR İSTİHSAL
ENDÜSTRİSİ A.Ş.**

**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 ANTI-DUMPING COMMISSION**

2 February 2015

CONTENTS

CONTENTS.....	2
ABBREVIATIONS.....	3
1 BACKGROUND AND PURPOSE.....	4
1.1 BACKGROUND.....	4
1.2 PURPOSE OF VERIFICATION.....	5
1.3 COMPANY DETAILS.....	5
1.4 INVESTIGATION PROCESS AND TIMEFRAMES.....	6
1.5 VERIFICATION REPORT.....	6
2 THE GOODS UNDER CONSIDERATION AND LIKE GOODS	7
2.1 THE GOODS	7
3 COMPANY INFORMATION.....	9
3.1 GENERAL.....	9
3.2 RELATED PARTIES.....	9
3.3 RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS	9
3.4 ACCOUNTING AND AUDIT INFORMATION.....	9
4 SALES TO AUSTRALIA	10
4.1 SALES PROCESS.....	10
4.2 VERIFICATION OF EXPORT SALES TO AUDITED FINANCIAL STATEMENTS.....	11
4.3 VERIFICATION OF EXPORT SALES TO SOURCE DOCUMENTS.....	11
4.4 FORWARD ORDERS.....	12
4.5 THE EXPORTER.....	12
4.6 THE IMPORTER	12
4.7 ARMS' LENGTH.....	13
4.8 EXPORT PRICE – PRELIMINARY ASSESSMENT.....	13
5 COST TO MAKE & SELL	14
5.1 APPROACH TO VERIFICATION	14
5.2 COST TO MAKE	14
5.3 SELLING, GENERAL AND ADMINISTRATION (SG&A) EXPENSES	16
5.4 COSTS TO MAKE AND SELL - CONCLUSION.....	18
6 DOMESTIC SALES.....	19
6.1 SALES PROCESS.....	19
6.2 VERIFICATION OF DOMESTIC SALES TO AUDITED FINANCIAL STATEMENTS	19
6.3 VERIFICATION OF DOMESTIC SALES TO SOURCE DOCUMENTS	20
6.4 ARM'S LENGTH.....	20
6.5 VOLUME OF SALES AND ORDINARY COURSE OF TRADE.....	21
6.6 SALES BY OTHER SELLERS	21
6.7 THIRD COUNTRY SALES.....	21
6.8 DOMESTIC SALES – SUMMARY	21
7 NORMAL VALUE.....	22
7.1 NORMAL VALUE.....	22
7.2 ADJUSTMENTS.....	22
7.3 ADJUSTMENTS CLAIMED BY HABAS.....	22
7.4 OTHER ADJUSTMENTS.....	23
8 DUMPING MARGIN – PRELIMINARY ASSESSMENT.....	24
9 APPENDICES AND ATTACHMENTS.....	25

ABBREVIATIONS

AUD	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
GAAP	Generally accepted accounting principles
Habaş	Habaş Sinai ve Tibbi Gazlar Istihsal Endüstrisi A.Ş
Indonesia	The Republic of Indonesia
IPR	Internal Processing Regime
IFRS	International Financial Reporting Standard
Minister	The Minister for Industry and Science
MT	Metric Tonne
NIP	Non-injurious Price
OneSteel	OneSteel Manufacturing Pty Ltd
PAD	Preliminary Affirmative Determination
REQ	Exporter Questionnaire Response
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
TL	Turkish Lira
Turkey	the Republic of Turkey
USP	Unsuppressed Selling Price
[CONFIDENTIAL TEXT DELETED]	[Currency]
[CONFIDENTIAL TEXT DELETED]	[Trading terms]
[CONFIDENTIAL TEXT DELETED]	[Names of customers]

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 then 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). A full description of the goods under consideration is included in section 2.1 of this report.

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.¹

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 application identified Habaş Sinai ve Tibbi Gazlar İstihsal Endüstrisi A.Ş. (Habaş) as an exporter of rod in coils from Turkey. A search of the ACBPS import database also indicated that Habaş exported rod in coils from Turkey to Australia during the investigation period (1 January 2013 to 31 December 2013). The Commission wrote to Habaş advising it of the initiation of the investigation, requesting co-operation with the investigation and providing copies of an exporter questionnaire for it to complete.

¹ Consideration Report No 240.

FOR PUBLIC RECORD

Habaş 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 verification

The objectives for verification in an anti-dumping investigation are to collect evidence to support the information presented in the exporter questionnaire response and establish that the information submitted by interested parties is:

- Relevant – only relevant information is included;
- Complete – all relevant information is included; and
- Accurate – the information is accurate.

Generally, the Commission will visit exporters to conduct an on-site verification of information provided by the exporter in its questionnaire. This allows the Commission to quickly test claims made by the exporter and discuss any complicating factors, for the exporter to show how costs are recorded in its accounting systems, and for the Commission to conduct on-the-spot verification of transactions not prepared in advance by the exporter. However, due to travel advisories from the Department of Foreign Affairs and Trade, Commission staff were unable to travel to Turkey to conduct an on-site verification of Habaş.

Despite the limitations of remote verification, the Commission has applied the same standard for the verification of Habaş as would be applied during an on-site verification to ensure any findings are adequately supported by evidence.

The verification exercise reviewed extensive supporting documentation provided by the company to verify the information presented in the exporter questionnaire response.

In this report, the Commission has relied upon verified information to make preliminary assessments regarding:

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

1.3 Company details

Company	Habaş Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S Fuatpasa Sok. No:26 34880 Soganlik Kartal Istanbul Turkey
Consultant	Moulis Legal (Australia) Trade Resources Company (Turkey)

1.4 Investigation process and timeframes

The Commission advised Habaş 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 1 March 2015; or such later date as the Minister for Industry and Science (the Minister) allows under s.269ZHI of the *Customs Act 1901* (the Act)².

The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Minister, 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 Minister.

This final report is due no later than 15 April, unless an extension is approved by the Minister.

The Commission informed Habaş that anti-dumping measures may only be imposed where the Minister is satisfied that the goods were dumped and that the dumped goods had caused or were threatening to cause material injury to the Australian industry.

1.5 Verification report

The Commission explained to Habaş that a report of verification (this report) would be provided to it to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

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

² All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

2 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

2.1 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.

2.1.1 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 DCT³ 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.

2.1.2 Like goods

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

During the investigation period Habaş exported rod in coils to Australia of varying thicknesses from [CONFIDENTIAL TEXT DELETED – number] mm to [CONFIDENTIAL TEXT DELETED – number] mm specified to [CONFIDENTIAL TEXT DELETED – detailed specification of goods exported to Australia].

Habaş noted that the identifying factor is maximum carbon content as follows:

³ '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*.

FOR PUBLIC RECORD

[CONFIDENTIAL TEXT DELETED – detailed specification of goods exported to Australia]

Habaş advised that it assigned the same model code (eg **[CONFIDENTIAL TEXT DELETED – model code]**) to products in the domestic and Australian market based on these carbon content ranges, and that products could be compared if they fall within the same carbon content limitation.

The Commission reviewed the export sales of Habaş and notes **[CONFIDENTIAL TEXT DELETED – pricing policy]** between the different specifications and the different thicknesses.

The Commission reviewed the domestic sales of Habaş and notes **[CONFIDENTIAL TEXT DELETED – pricing policy]** between the different specifications and the different thicknesses.

The Commission's analysis of export and domestic prices is at **Confidential Appendix 1**

After considering the information on specifications and prices the Commission is of the view that rod in coils sold on the domestic market regardless of specification and thickness are like goods to the exported goods.

3 COMPANY INFORMATION

3.1 General

Habaş is a corporation registered under Turkish law. **[CONFIDENTIAL TEXT DELETED – shareholding structure]**.

Habaş was founded in 1956 as a producer of industrial gas production (then known as Hamdi Başaran Topkapi Oxygen Plant). Since its founding, the Habaş Group has expanded its operations to incorporating industrial and medical gases, steel, electrical energy, heavy machinery, business and banking services, and operation of a sea port.

Habaş' head office is located at Soganlik in Istanbul.

Habaş' steel manufacturing operations were established in 1987, and are based in Izmir. Habaş' steel plant consists of two electric arc furnaces, two ladle furnaces and two continuous billet casting machines. Habaş' melt shop is integrated with two rolling mills, one for reinforcing bars, the second for rod in coils. The steel billets used in production are produced from imported and domestically sourced scrap.

Habaş has an annual production capacity of **[CONFIDENTIAL TEXT DELETED – number]** m tons of cast steel billets. Habaş provided a production flowchart of its rod and rebar operations in its exporter questionnaire response.

[CONFIDENTIAL TABLE DELETED – production flow chart]

3.2 Related parties

Habaş is the parent company within the Habaş Group structure. Operations other than its Iron & Steel and Gas branches are conducted by subsidiary holdings.

3.3 Relationship with suppliers and customers

Habaş is not affiliated with any suppliers or customers in Australia or Turkey outside of the Habaş Group.

3.4 Accounting and audit information

Habaş' financial year is the calendar year.

Habaş' auditor stated in the 2013 independent audit report that:

“In our opinion, the financial statements present fairly, in all material respects the financial information of Habaş Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S. as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.”

Habaş uses **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]** information management system that enables the company to collect data and produce accounting reports for its various cost centres. **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]**.

4 SALES TO AUSTRALIA

4.1 Sales process

4.1.1 Distribution channels

Habaş sells to several customers in the Australian market, [CONFIDENTIAL TEXT DELETED – commercial information regarding customer names and level of trade]. Habaş [CONFIDENTIAL TEXT DELETED – sales and commission policy in relation to Australian market].

4.1.2 Ordering and pricing

The selling process generally begins with a price inquiry from a customer. Habaş and the customer [CONFIDENTIAL TEXT DELETED – commercial information regarding negotiation and ordering process].

Pricing is in [CONFIDENTIAL TEXT DELETED – currency] per metric tonne (MT).

4.1.3 Payment terms

Sales to Australia are paid [CONFIDENTIAL TEXT DELETED – details of payment arrangements with customers].

4.1.4 Delivery terms

Habaş ships goods directly from its port at Izmir to the relevant Australian port on [CONFIDENTIAL TEXT DELETED – shipping term].

Habaş stated that [CONFIDENTIAL TEXT DELETED – details of freight and handling calculation] are reported on a transaction by transaction basis.

4.1.5 Discounts, rebates and allowance

Habaş submitted [CONFIDENTIAL TEXT DELETED – discount, rebate and allowance related pricing policy].

4.1.6 Date of sale

Habaş recorded the date of sale as the date of the commercial invoice which was prepared [CONFIDENTIAL TEXT DELETED – sales system and invoicing method]. [CONFIDENTIAL TEXT DELETED – commercial information regarding Habaş' accounting system].

The Commission reviewed copies of six sales contracts relevant to the investigation period and for the selected invoices the Commission did not observe any changes in prices, delivery or payment terms from that stated in the commercial 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 export sales to audited financial statements

Habaş used **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]** to demonstrate to the Commission the source data for total sales, steel division domestic sales and export sales, and wire rod division domestic sales and export sales.

The Commission noted that total export sales reconciled to Note 20 of the audited financial statement for the year ended 31 December 2013.

Habaş provided a line by line listing of all Australian sales of wire rod for the investigation period. Habaş used **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]** to demonstrate that the total quantity and value of Australian sales of wire rod reconciled to the line by line listing which in turn reconciled to the “Turnover” spreadsheet provided by Habaş as part of its REQ.

Habaş provided screen prints for each stage of the demonstration.

The Commission is therefore satisfied that the export sales data provided by Habaş 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

To facilitate downwards verification of Habaş’ export sales to source documentation, prior to the remote verification the Commission requested that Habaş provide supporting documents for a six selected invoice numbers. Habaş 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;
- Inspection certificates and invoices (where applicable);
- Customs export declaration;
- Logistics company invoices;
- Extract from customer account; and
- Extract from bank statement.

In addition to these documents Habaş provided a spreadsheet detailing the allocation methodology employed in relation to packing. Habaş calculated packing costs per tonne for wire rod for the investigation period based on total packing costs incurred for wire rod divided by total production of wire rod. Habaş used **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]** to demonstrate the total packing costs incurred in relation to wire rod, and the total production quantity for the investigation period.

Habaş further provided a spreadsheet detailing revised inspection costs in relation to two export sales.

FOR PUBLIC RECORD

Habaş provided the Commission a revised Australian Sales Spreadsheet incorporating these changes, and the Commission was able to reconcile each item from this revised spreadsheet to the source documents.

The Commission was able to reconcile each item from the Domestic Sales spreadsheet to the source documents.

The Commission noted however that not all transactions included amounts for handling, loading and ancillary expenses. Habaş explained that the contracts entered into with logistics companies were “all in” which required the logistic company to undertake the necessary activities to load and ship the goods. Habaş advised that it was up to the logistics company to determine how each activity was costed. The Commission reviewed invoices for two logistics companies and noted that one, **[CONFIDENTIAL TEXT DELETED – identity of logistics company]**, segregated costs into ocean freight and handling, while a second, **[CONFIDENTIAL TEXT DELETED – identity of logistics company]**, did not.

Habaş explained that for the export sales the **[CONFIDENTIAL TEXT DELETED – accounting methods regrading invoicing and revenue recognition]**.

Habaş provided documents for selected invoices showing that **[CONFIDENTIAL TEXT DELETED – accounting methods regarding invoicing and revenue recognition]**.

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

Supporting documentation for the selected shipments is at **Confidential Attachment EXP 1**.

4.4 Forward orders

[CONFIDENTIAL TEXT DELETED – commercial information about forward orders]

4.5 The exporter

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

- manufactured the goods to the specific order of its Australian customers;
- was listed as the supplier on the bill of lading;
- invoiced the Australian customer for the goods;
- **[CONFIDENTIAL TEXT DELETED – responsibility according to shipping terms agreed with Australian customer]**;
- 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

On the evidence collected and verified at the visit with Habaş and other available information, the Commission considers that **[CONFIDENTIAL TEXT DELETED – identity of Habaş’s customers]** should be considered the importers of the goods.

The Commission observed that these companies:

- are named as the buyer on the sales contracts;
- are named on the commercial invoice;

FOR PUBLIC RECORD

- are listed as the consignee on the Bill of Lading; and
- are named on the packing lists and mill test certificates.

Consequently, the Commission considers these companies were the beneficial owners of the goods at the time of importation and were therefore the importers.

4.7 Arms' length

In respect of Habaş' sales of rod in coils to its Australian customers 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 Habaş' export sales to Australia during the investigation period were arms' length transactions.

4.8 Export price – preliminary assessment

For export sales to Australia by Habaş, 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.

As the Commission was unable to isolate freight costs from inland transport, loading, handling and ancillary costs, export prices have been calculated on an ex-works basis. Export prices are calculated on a monthly basis on a unit value per tonne in TL, cash.

Habaş' 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

Habaş' REQ contained CTMS spreadsheets for rod in coils produced and sold domestically in Turkey and exported to Australia for the calendar year 2013. Habaş reported the quarterly cost of production for rod in coils sold on the domestic and export market.

Costs in the spreadsheets comprise:

- material costs;
- direct labour;
- depreciation;
- other overheads;
- direct and indirect selling expenses;
- corporate expenses;
- administrative expenses; and
- finance expenses.

Material costs, direct labour, depreciation and other overheads comprise total manufacturing costs. Other overhead refers primarily to electricity costs and maintenance expenses.

Habaş advised that it does not have a cost accounting system that is distinct from its financial accounting. As such, in the normal course of business the company **[CONFIDENTIAL TEXT DELETED – internal cost accounting detail]**.

In these calculations, Habaş **[CONFIDENTIAL TEXT DELETED – commercial information regarding cost accounting method]**.

The Commission explained to Habaş 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 Cost to make

5.2.1 Completeness and relevance

Habaş provided domestic and export CTMS spreadsheets as part of its REQ. CTM is captured for rod in coils in TL per tonne on a quarterly basis and independently of sales destination.

Habaş provided a reconciliation of the CTM for rod in coils in its CTMS spreadsheets to the audited accounts as follows:

- The cost of goods sold (COGS) as recorded in **[CONFIDENTIAL TEXT DELETED – proprietary accounting system]** was adjusted for **[CONFIDENTIAL TEXT DELETED – internal cost accounting detail]** to arrive at the Cost of Sales disclosed in the audited accounts;
- **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** was used to show the breakdown of COGS into the various product categories,

FOR PUBLIC RECORD

including account code [**CONFIDENTIAL TEXT DELETED – number**] COGS – Wire Rod;

- A Movement Table of Cost of Wire Rod Sold was used, in conjunction with a Movement Table of Cost of Slag Produced During Wire Rod Production, to show the quarterly cost of rod in coils sold, which, when aggregated, reconciled with the COGS – Wire Rod total [**CONFIDENTIAL TEXT DELETED – internal cost accounting detail**];
- A Movement Table of Wire Rod Quantity was used to show quarterly production of rod in coils;
- A Movement Table of Unit Cost of Wire Rod Sold was used to show the quarterly unit cost per tonne to produce rod in coils;
- The quarterly unit cost per tonne was shown to be the quarterly cost of production from the Movement Table of Cost of Wire Rod divided by the quarterly production detailed in the Movement Table of Wire Rod Quantity;
- The quarterly cost of production for wire rod was transferred from the Movement Table of Unit Cost of Wire Rod Sold to the CTMS – Domestic and CTMS – Australia spreadsheets submitted by Habaş.

The Commission is therefore satisfied that the CTM data provided by Habaş is complete and accurate.

Documents reconciling manufacturing costs to the audited accounts are at **Confidential Attachment CTM 1**.

5.2.2 Verification of manufacturing costs – all rod in coil

As noted above manufacturing costs comprise material costs, direct labour, and manufacturing overheads. The Commission verified in detail each component of manufacturing costs.

Material costs

Raw material costs are predominantly composed of scrap costs, both imported and locally sourced.

Habaş demonstrated using [**CONFIDENTIAL TEXT DELETED – accounting system**] that the total purchases of scrap for 2013 reconciled with the trial balance, which in turn reconciled with the sum of the quarterly scrap purchases contained within the scrap inventory ledgers. The Commission selected both a domestic scrap purchase and an import scrap purchase from the line by line [**CONFIDENTIAL TEXT DELETED – accounting system**] listing of scrap purchases and asked for documents to substantiate the value of purchased scrap. Habaş provided copies of documents including:

- purchase order;
- commercial invoice; and
- proof of payment.

For imported scrap, Habaş also provided a copy of the customs declaration relating to the importation. The Commission noted that the customs declaration makes note of the Internal Processing Regime (IPR) Permit held by Habaş, and under which no import duties are paid on the basis that the scrap being imported will be used for export production.

FOR PUBLIC RECORD

The documents provided supported the value of the scrap purchases shown in the scrap inventory ledger.

Documents relating to scrap purchases are at **Confidential Attachment CTM 2**.

Direct Labour

Habaş provided the direct labour cost ledger for the March quarter of 2013. Documents relating to direct labour are at **Confidential Attachment CTM 3**.

Overheads

Overheads are predominantly comprised of electricity and gas expenses and depreciation.

Habaş provided copies of the electricity and gas bills for the June quarter of 2013 which reconciled with the amounts detailed in **[CONFIDENTIAL TEXT DELETED – accounting system]**. These documents are at **Confidential Attachment CTM 4**.

Habaş provided the fixed assets register for the melt shop. To substantiate the depreciation cost in the March quarter 2013 Habaş provided a breakdown of the depreciation amounts for each asset.

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 5**.

The Commission was satisfied that the information provided by Habaş reasonably reflected the manufacturing cost for rod in coils.

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

Habaş provided domestic and exporter CTMS spreadsheets as part of its REQ. SG&A expenses listed by Habaş included selling expenses, administrative expenses and finance expenses.

During the verification the Commission queried with Habaş the allocation of corporate expenses, and Habaş submitted a revised CTMS spreadsheet incorporating indirect selling expenses and corporate expenses.

Habaş then provided a reconciliation of the SG&A expenses for rod in coils in its CTMS spreadsheets to the audited accounts as follows:

Selling Expenses

- **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** to extract packing expenses from the Wire Rod cost centre;
- **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** to extract production quantities for wire rod for the calendar year;
- Total packing expenses were divided by production quantity to determine a packing expense in TL per MT; and
- The packing expense in TL per MT was multiplied by the sales quantity for each quarter in the revised CTMS spreadsheet.

Selling expense documents are at **Confidential Attachment SG&A 1**.

Indirect Selling Expenses

FOR PUBLIC RECORD

- Marketing expenses as recorded [CONFIDENTIAL TEXT DELETED – proprietary accounting software] were adjusted for [CONFIDENTIAL TEXT DELETED – internal cost accounting detail];
- General administrative expenses as recorded [CONFIDENTIAL TEXT DELETED – proprietary accounting software] had minor adjustments for [CONFIDENTIAL TEXT DELETED – internal cost accounting detail];
- [CONFIDENTIAL TEXT DELETED – proprietary accounting software] to show the breakdown of Marketing expenses into the various cost centres including account code [CONFIDENTIAL TEXT DELETED – number] – Selling Expenses Headquarters, and the breakdown of General Administrative expenses into the various cost centres including [CONFIDENTIAL TEXT DELETED – number] – General Administrative Expenses Headquarters;
- [CONFIDENTIAL TEXT DELETED – proprietary accounting software] to extract domestic and export indirect selling expenses from the Selling Expenses Headquarters and General Administrative Expenses Headquarters;
- Domestic indirect expenses from each account were added to establish a domestic indirect selling expense, which was then divided by the total domestic steel sales to determine a domestic indirect selling expense ratio;
- The export indirect expenses from each account were added to establish an export indirect selling expense, which was then divided by the total export steel sales to determine an export indirect selling expense ratio; and
- The domestic indirect selling expense ratio was applied to total cost to make for each quarter to establish the indirect selling expenses in the Domestic CTMS spreadsheet, and similarly for the export indirect expenses and Australia CTMS.

Indirect selling expense documents are at **Confidential Attachment SG&A 2.**

Corporate Expenses

- Headquarter expenses other than those extracted as indirect domestic and export selling expenses were amalgamated as “corporate expenses” and apportioned based on the ratio of Habaş’ steel sales to total sales;
- The apportioned amount was then converted to a corporate expense ratio based on total steel costs of sales; and
- The corporate expense ratio was applied to total cost to make for each quarter to establish corporate expenses in the Domestic CTMS spreadsheet.

Corporate expense documents are at **Confidential Attachment SG&A 3.**

Administrative Expenses

- [CONFIDENTIAL TEXT DELETED – proprietary accounting software] to extract General and Administrative Expenses for the Wire Rod cost centre, and these expenses were converted to a quarterly per MT expense based on quarterly production quantity; and
- The per MT expense was multiplied by the quarterly sales quantity to establish the quarterly Administrative Expenses detailed in Habaş’ Domestic CTMS spreadsheet.

Administrative expense documents are at **Confidential Attachment SG&A 4.**

Finance Expenses

Habaş allocated Finance Expenses on the basis of total finance costs divided by COGS to give a ratio that was then multiplied by total cost to make for each quarter to give the quarterly Finance Expenses detailed in the Domestic CTMS spreadsheet.

The Commission noted that Finance Expenses included items not related to the sale of rod in coils and excluded these items from the calculation of Finance Expenses.

The Commission has relied on the amounts in the audited statements to calculate a finance cost. **[CONFIDENTIAL TEXT DELETED – internal cost accounting detail]**. The Commission has allocated this amount over the total COGS to arrive at a percentage that it has applied to the cost to make.

Finance expense documents are at **Confidential Attachment SG&A 5**.

The Commission is satisfied that selling, administration and financial expenses, as amended, reasonably reflect those costs in the domestic and Australian CTMS spreadsheets.

5.4 Costs to make and sell - conclusion

Based on the information in the exporter questionnaire responses, information provided in response to the remote verification request and subsequent inquiries, the Commission is satisfied that the CTMS information provided by Habaş (after making the noted amendments) is complete, relevant and reasonably reflects those costs.

The Commission is satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by Habaş. The Commission considers this data is suitable for:

- determining whether domestic sales are in the ordinary course of trade;
- determining constructed normal values; and
- determining a rate of profit for domestic sales.

The revised CTMS spreadsheets are at **Confidential Appendix 3**.

6 DOMESTIC SALES

6.1 Sales process

6.1.1 Distribution channels

Habaş sells to numerous customers in the domestic market. Habaş' customers are [CONFIDENTIAL TEXT DELETED – levels of trade regarding Habaş' domestic customers].

6.1.2 Ordering and pricing

For the domestic market Habaş sets prices periodically based on market conditions and communicates these prices by phone or in writing to customers. Habaş [CONFIDENTIAL TEXT DELETED – pricing policy and ordering process regarding domestic sales].

6.1.3 Payment terms

Sales to domestic customers are [CONFIDENTIAL TEXT DELETED – payment terms]. Payments are usually made by [CONFIDENTIAL TEXT DELETED – payment arrangements].

6.1.4 Delivery terms

In the domestic market sales are generally shipped from inventory directly to the customer. Habaş sells goods on [CONFIDENTIAL TEXT DELETED – delivery terms].

6.1.5 Discounts, rebates and allowance

Habaş [CONFIDENTIAL TEXT DELETED – pricing policy regarding discount, rebates and allowance] in the domestic market.

6.1.6 Date of sale

Habaş submitted that it considered the date of sale for domestic sales to be the date of invoice, which was issued when [CONFIDENTIAL TEXT DELETED – invoicing policy]. For the selected domestic sales the Commission did not observe any changes in prices, delivery and payment terms from that stated in the purchase orders.

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

6.2 Verification of domestic sales to audited financial statements

As detailed in section 4.2 above, Habaş used [CONFIDENTIAL TEXT DELETED – accounting system] to demonstrate to the Commission the source data for total sales, steel division domestic sales and export sales, and wire rod division domestic sales and export sales.

[CONFIDENTIAL TEXT DELETED – detailed domestic sales reconciliation process] Habaş provided a line by line listing of all domestic sales of wire rod for the investigation period. Habaş used [CONFIDENTIAL TEXT DELETED – accounting system] to demonstrate that the total quantity and value of domestic sales of wire rod, once adjusted for [CONFIDENTIAL TEXT DELETED – accounting adjustment factor for

reconciliation purpose], reconciled to the line by line listing which in turn reconciled to the “Turnover” spreadsheet provided by Habaş as part of its REQ.

Habaş provided screen prints for each stage of the demonstration.

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

Documents reconciling sales to the financial statements are at **Confidential Attachment Rec 1**.

6.3 Verification of domestic sales to source documents

To facilitate downwards verification of Habaş’ domestic sales to source documentation, prior to the remote verification the Commission requested that Habaş provide supporting documents for a total of eleven selected invoice numbers. Habaş provided the following documents for each of these selected shipments:

- Purchase order;
- Sales invoice;
- Mill test certificate;
- Extract from customer account; and
- Vouchers showing payment.

As detailed in section 4.2 above, Habaş also provided a spreadsheet detailing the allocation methodology employed in relation to packing costs. Packing costs are allocated equally for domestic and export sales.

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**.

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

6.4 Arm’s length

In respect of Habaş’ domestic sales of rod in coils during the investigation period, the Commission found no evidence that:

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

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

6.5 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 used quarterly domestic CTMS to test whether domestic sales were profitable.

[CONFIDENTIAL TEXT DELETED – outcome of the ordinary course of trade analysis].

Sales in the ordinary course of trade were made in all quarters of the investigation period. Those sales were greater than 5% of the volume of rod in coils exported to Australia.

The Commission proposes to establish normal values under s.269TAC(1) using sales of rod in coils by Habaş in the ordinary course of trade.

6.6 Sales by other sellers

There are other sellers of rod in coils in Turkey, however the Commission considers it has sufficient and reliable information to determine normal values under s.269TAC(1).

6.7 Third country sales

Habaş exports the majority of its production of rod in coils.

Habaş 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 and did not seek to examine third country sales.

6.8 Domestic sales – summary

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

Habaş' domestic sales listing and the Commission's ordinary course of trade calculations are at **Confidential Appendix 4**.

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 domestic sales of rod in coils.

Normal values were established at an ex-works point.

7.2 Adjustments

The Commission determined that no adjustments to the normal values under s.269TAC(8) are required to make them fairly comparable with export prices.

7.3 Adjustments claimed by Habaş

Habaş claimed adjustments to the normal value for export transportation expenses, export handling, loading and ancillary expenses, export packing costs, export inspection expenses, import duty drawback, level of trade, domestic transportation and domestic packing.

Costs associated with export sales

Export prices and normal values were established at an ex-works point, and therefore adjustment to normal value for costs associated with export sales, such as export transportation, handling, loading and ancillary expenses, packing and inspection expenses are not required.

Import Duty Drawback

Habaş detailed in its REQ that the Turkish inward processing regime (IPR) provides tax exemptions to Turkish manufacturer/ exporters by permitting manufacturer/exporters to import raw materials free of import duties, resource utilization fund (KKDF) and value added tax if such inputs are intended for producing final goods for export.

Under this system, the beneficiary of IPR has to submit to the Customs authorities at the time of importation a letter of guarantee or pledge of money covering the total of all duties, charges and VAT that would otherwise be owed.

[CONFIDENTIAL TEXT DELETED – commercial information regarding raw material purchasing] with a commitment to export the finished product that is manufactured by using the imported raw materials. Upon importation Habaş is exempt from paying import duties, charges and value added tax on the condition that the finished products will be exported. Upon completion of production and exportation, Habaş must submit a completion report demonstrating the export of finished goods. Failure to demonstrate that the finished goods are exported would result in retroactive collection of all the import customs duties and value added tax, according to the IPR.

FOR PUBLIC RECORD

Habaş calculated a per unit amount of duty drawback by **[CONFIDENTIAL TEXT DELETED – method of accounting for drawback]**.

Habaş identified this calculated per unit amount as the per unit amount of import duties and other charges Habaş would have had to pay had the finished product not been exported to Australia.

The Commission did not accept that an adjustment was warranted because **[CONFIDENTIAL TEXT DELETED – commercial information regarding domestic and export pricing policy]**. **[CONFIDENTIAL TEXT DELETED – commercial information regarding raw material purchase and duty drawback]**.

Level of trade

Habaş noted in its REQ that sales on the domestic market were to **[CONFIDENTIAL TEXT DELETED – commercial information regarding level of trade]**. Habaş further noted that **[CONFIDENTIAL TEXT DELETED – commercial information regarding level of trade]**.

The Commission analysed Habaş' domestic sales by level of trade on a monthly basis over the investigation period and found **[CONFIDENTIAL TEXT DELETED – commercial information regarding level of trade and Habaş' domestic pricing]**. As such the Commission has made no adjustment for level of trade.

Domestic transportation and packing

Normal vales were established at an ex-works point, and therefore an adjustment is not required.

7.4 Other adjustments

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

8 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We consider 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).

Both normal values and export prices have been established at an ex-works point.

No adjustments to the normal values were required under s.269TAC(8) to make them fairly comparable with export prices.

In calculating the dumping margin the Commission compared weighted average export prices with the corresponding monthly normal values. The date of invoice was used for domestic sales and the date of purchase order for export sales in comparing prices.

The weighted average product dumping margin is **negative 0.6%**.

Normal value and dumping margin calculations are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export and domestic sales price analysis
Confidential Appendix 2	Export sales and price
Confidential Appendix 3	Export and domestic CTMS
Confidential Appendix 4	Domestic sales and OCOT calculations
Confidential Appendix 5	Normal value, export price and dumping margin
Confidential attachment REC 1	Reconciliation of sales to audited accounts
Confidential attachment EXP 1	Selected export sales documentation
Confidential attachment CTM 1	Reconciliation of manufacturing costs to audited accounts
Confidential attachment CTM 2	Scrap purchases
Confidential attachment CTM 3	Direct labour expenses
Confidential attachment CTM 4	Electricity and gas expenses
Confidential attachment CTM 5	Depreciation
Confidential attachment SG&A 1	Selling expenses
Confidential attachment SG&A 2	Indirect selling expenses
Confidential attachment SG&A 3	Corporate expenses
Confidential attachment SG&A 4	Administrative expenses
Confidential attachment SG&A 5	Finance expenses
Confidential attachment DOM 1	Selected domestic sales documentation