



ANTI-DUMPING NOTICE NO. 2018/77

CONSULTATION ON THE INTRODUCTION OF MODEL CONTROL CODES

The purpose of this notice is to invite submissions on the Anti-Dumping Commission's (the Commission) proposal to introduce model control code (MCC) structures for model matching when comparing export prices and normal values.

Background

In order to assess whether dumping has occurred the Commission compares the export price of the goods to the corresponding normal value. One key consideration is ensuring that the normal value is properly comparable with the export price.

If different models are exported, the Commission seeks to identify the models sold domestically that are comparable to the export models. This process is commonly referred to as 'model matching'.

Currently, the model matching methodology used by the Commission is generally determined on a case by case basis during on-site verification visits and outlined in exporter verification reports.

Proposed change

The Commission is proposing to introduce MCC structures to identify different models of the goods and like goods. This system is similar to those used by other anti-dumping administrations, and aims to impose a discipline on the selection of characteristics that will be used to identify the most closely matching models of the goods sold for export to Australia and like goods sold domestically in the country of export.

The proposed change aims to facilitate a consistent approach to the collection of financial data in responses to exporter questionnaires and calculating dumping margins.

The initial MCC structure for any case will be determined on the basis of the application and any other information that the Commission considers relevant, such as previous findings (e.g. in reviews). However, the MCC structure may be modified during the case where necessary. For example, the MCC structure may be modified during exporter verification visits based on the facts and evidence pertaining to a particular exporter. Where the Commission proposes to modify the initial MCC structure it will explain the reasons (e.g. in the exporter verification report, or the statement of essential facts).

Details of the proposed policy and practice guidelines are set out in **Attachment A**, which the Commission intends to insert into the Dumping and Subsidy Manual.

Consultation

The Commission invites submissions from interested parties on the proposal to introduce model control code (MCC) structures for model matching purposes. Please provide submissions in the form of confidential and non-confidential versions to the Commission's Client Support team at clientsupport@adcommission.gov.au by close of business **Wednesday 4 July 2018**.

Non-confidential versions of submissions, and the Commission's response to submissions will be published on the public record on the Commission's website at www.adcommission.gov.au as soon as practicable after that date.

Dale Seymour
Commissioner
Anti-Dumping Commission

6 June 2018

POLICY

When determining normal value under subsection 269TAC(1) based on domestic sales of like goods in the exporter's domestic market, the Commission obtains information on all sales of these goods. In cases where different models of the goods exist, it is necessary to select the domestically sold models that are most directly comparable to the particular models exported to Australia. This allows for a proper comparison between the normal value and export price of the goods for the purposes of working out the dumping margin.

Appropriate model matching of the goods exported to Australia to like goods sold on the domestic market is therefore critical when ascertaining normal values under subsection 269TAC(1).

The Commission undertakes model matching using a Model Control Code (MCC) structure to identify key characteristics that will be used to match models of the goods exported to Australia and like goods sold domestically in the country of export. In determining the MCC structure, the Commission will have regard to differences in physical characteristics. In assessing the materiality of the differences in physical characteristics, the Commission may take into account any differences in unit costs and unit prices attributable to those different physical characteristics.

The Commission will also use the MCC structure to compare domestic selling prices of the like goods to the costs of such goods for the purposes of assessing whether the domestic sales are in the ordinary course of trade.

Sales and cost data submitted in the response to the exporter questionnaire are required to follow the MCC structure. At a minimum, the data must report sales and cost data separately for each of the mandatory MCC categories identified by the Commission. Modifications to the MCC structure may be considered based on the facts and evidence pertaining to a particular exporter.

Where there are no sales or insufficient sales of identical models of the goods exported to Australia that are sold in the ordinary course of trade on the domestic market, the Commission may use a surrogate model and make appropriate specification adjustments. In deciding the appropriate surrogate model and specification adjustments, the Commission will rely on the MCC structure and the hierarchy of categories or sub-categories. If comparing a constructed normal value under subsection 269TAC(2)(c) to export prices, the Commission will also use the MCC structure to identify the relevant costs of production.

PRACTICE

The MCC structures provide a system of identifying fundamental characteristics of the goods subject to investigation (the goods) and assigns an alphanumeric code to define categories and sub-categories of the goods.

On initiation, the Commission will advise interested parties of the MCC structure that they will need to apply in their response to the exporter questionnaire. The MCC structure will be based on information contained in the application and any other information that the Commission considers relevant. In determining the MCC structure, the Commission will have regard to differences in physical characteristics. In assessing the materiality of the differences in physical characteristics, the Commission may take into account differences in unit costs and unit prices attributable to those different physical characteristics.

The MCC structure comprises categories and sub-categories of the goods and like goods. Each of these categories and sub-categories will have mandatory or optional reporting requirements with respect to sales data and cost data. A category that is mandatory in the exporter's domestic sales spreadsheet may be optional in the corresponding cost spreadsheet, recognising the likelihood that sales data is often captured in accounting records on a more granular basis than cost data.

Importantly, the MCC structure will establish the model matching hierarchy. The categories in the MCC structure will be listed, in descending order, according to the significance of the category to the goods when model matching. This is to ensure that the most comparable surrogate models are chosen, for model matching purposes, when there are insufficient domestic sales of the identical model. The most comparable model is usually considered to be the surrogate model that has the closest physical characteristics (an indicator of this may be the model that has the smallest difference in cost of production per unit).

In addition, the MCC structure will identify certain key categories. For any key category (identified by a YES in the "Key category" column of the MCC structure), the approach will be that sub-categories within each key category should be compared directly and should not be used as surrogate models for other sub-categories within that key category. This would generally be because the physical characteristics are significantly different and making an adjustment for physical differences would not be meaningful in terms of estimating a price difference.

Below is an MCC structure which may apply in a case involving pens:

Category	Sub-category	Sales Data	Cost data	Key category
Material	P: Plastic NP: Non-plastic	Mandatory	Mandatory	Yes
Cover	N: None L: Lid C: Click T: Twist	Mandatory	Mandatory	No
Clip	WC: With Clip NC: No Clip	Mandatory	Optional	No

Based on the above MCC structure, a plastic pen with no cover or clip will have an MCC of: P-N-NC. Where there are insufficient domestic sales of that model, the next model to test for sufficiency of domestic sales will be a plastic pen with no cover but with a clip (i.e. MCC P-N-WC). Where there are still insufficient sales of that model, then the model matching hierarchy moves up to the next category. In this example, a plastic pen with a different cover will be used as a surrogate to test for sufficiency. However, as "material" is a key category, a plastic pen cannot be matched with a non-plastic pen. If there are insufficient

sales of models with the same key category, then the normal value may be constructed under 269TAC(2)(c) for that model.

While exporters are required to follow the MCC structure in their responses to the exporter questionnaire, proposed modifications to the categories and/or sub-categories specific to an exporter may be considered on a case by case basis. Reasoning for such modifications will need to be demonstrated and supported with data and evidence from the exporter. Proposals to modify the MCC structure should be raised before submitting a response to the exporter questionnaire and placed on the public record prior to any verification, otherwise the response may be deemed deficient. Interested parties are encouraged to make submissions on whether proposed modifications to the MCC structure should be accepted by the Commission. Any changes to the MCC structure will be considered by the Commission and reported in the Verification Report or in the statement of essential facts.

The Commission will consider modifications to the MCC structure from the original investigation in subsequent reviews and continuations, where justified.

Where exporters do not provide cost and sales data for models that are consistent with the mandatory MCC categories, this may be regarded as a major deficiency in the response to the exporter questionnaire and therefore may result in the exporter being deemed uncooperative and/or the data being treated as unreliable.