PUBLIC RECORD

Australian Government
Department of Industry, Science and Resources

Anti-Dumping Commission

Exporter verification report

Verification and case details

Initiation date	9 May 2024	**Anti-Dumping Notice (ADN)**	2024/029
Case number	643		
The goods under consideration	Rod in Coil		
Case type	Anti-circumvention		
Exporter	Tianjin Tiankang Metal Products Co., Ltd		
Location	Virtual verification		
Verification date	14 May 2025	to	15 May 2025
Review period	1 April 2023	to	31 March 2024

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

Contents

Introduction

Tianjin Tiankang Metal Products Co., Ltd. (TKM) submitted data to the Anti-Dumping Commission (the commission) in response to an exporter questionnaire in relation to anti-circumvention case number 643 (case 643) into rod in coil (RIC) exported from the People's Republic of China (China).

The commission has verified whether certain data TKM submitted is complete, relevant and accurate for use in case 643. Anti-Dumping Notice (ADN) 2016/30 describes the commission's verification procedure.

This report explains the commission's key findings, including the evidence reviewed and material issues identified. Where TKM or the commission materially revised the submitted data, this report outlines the nature, extent and outcomes of these changes.

The report has been prepared for publication on the electronic public record for case 643.

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

[1] All legal citations in this report are to the Act unless otherwise stated.

1 Company background

1.1 Corporate structure and ownership

TKM was established in 2000. Its principal business activity is the production and sale of welded wire mesh sheets. In addition to this core product, TKM is also engaged in the small-scale production and sales of other related products including ribbed wire, gabion mesh, and galvanised wire mesh.

TKM indicated that its main export market for welded wire mesh is Australia, its other products are primarily exported to Japan.

1.2 Related parties

1.2.1 Related suppliers

TKM stated that none of its suppliers are related parties. The commission reviewed the company's purchases of RIC and ribbed coil and found no evidence of purchases from related parties.

1.2.2 Related customers

TKM stated that it does not have related customers. The commission conducted an analysis of sales data and did not identify any related-party transactions.

1.3 Accounting records

TKM's financial accounting period follows the calendar year, beginning on 1 January and ending on 31 December.

The company's annual financial report is audited by certified public accountants and includes a statement confirming that the report was prepared according to the Enterprise Accounting Criteria. The commission considers that TKM's accounting records comply with the generally accepted accounting principles applicable in China.

2 Goods and circumvention goods

2.1 Production process

Prior to the verification, TKM provided a production flow chart as part of its response to the exporter questionnaire (REQ). During the verification, TMK conducted a live video demonstration of its production line in operation.

TKM purchases RIC as raw material input for manufacturing the welded wire mesh. The production process is summarised below:

1. **RIC Uncoiling and Ribbing**
    - RIC is on a pay-off machine that uncoils the wire for cold drawing.
    - The drawn wire is passed through ribbing machines.
2. **Wire Straightening and Cutting**
    - The uncoiled wire is cleaned and passed through a straightening machine.
    - It is then cut to the required lengths for both longitudinal (line) and cross wires.
3. **Wire Positioning**
    - Longitudinal wires are laid out on a conveyor.
    - Cross wires are fed perpendicular to the longitudinal wires.
4. **Welding**
    - At each intersection, wires are joined using spot welding.
5. **Mesh Cutting (optional)**
    - The welded mesh is cut into sheets of desired dimensions.
6. **Inspection and Packaging**
    - Final products are inspected for quality assurance.
    - Mesh is bundled, labelled, and packaged for shipment.

TKM explained that it uses the same raw material (RIC) for production of welded wire mesh sold both domestically and for export. The mesh exported complies with AS/NZS 4671-2019. TKM stated that all production lines are capable of manufacturing mesh for both the Australian and domestic markets.

2.2 Model control codes

Model control codes (MCCs) are generally not relevant in an anti-circumvention investigation. At initiation, the applicant – InfraBuild (Newcastle) Pty Ltd, proposed an MCC structure (see Non-Confidential Appendix 1). No changes to the proposed MCC structure were made during the verification.

2.3 Australian exports and domestic sales of alleged circumvention goods

2.3.1 Australian exports

The commission was satisfied that, during the review period, TKM produced the alleged circumvention goods and exported them to Australia.

During the verification, TKM explained that customers typically find the company through trade fairs such as Guangzhou Commodity Trade Fair, word of mouth and via online platforms.

TKM states that the majority of export deals are conducted directly with customers, typically via email correspondence; however, some sales are made through trading companies located in China.

In terms of pricing, TKM indicated that prices are negotiated based on the following cost components:

- purchase cost of raw materials
- processing costs (conversion from raw material to finished product)
- inland freight
- ocean freight.

Additionally, TKM considers exchange rate fluctuations and its profit margin.

Details of the sales process from customer order through to manufacture and delivery are provided in **Confidential Attachment 1**.

2.3.2 Domestic sales

TKM has a sales team for servicing domestic customers. Sales terms, including price, delivery, and payment conditions, are negotiated directly with customers and reflect prevailing market conditions. In addition to email, TKM also uses WeChat, a common Chinese instant messaging platform, for customer communications.

Details of the domestic sales process are also included in **Confidential Attachment 1**.

2.3.3 Verification of sales

The commission did not conduct a full sales verification; however, to assess the sales process involving Chinese traders for goods destined for Australia, the commission selected a representative invoice and requested full supporting sales documentation from TKM. The company submitted an accounting ledger, voucher, value-added invoice, and a sales contract that included product specifications. The commission identified references to AS/NZ standards in the documentation, confirming that the goods were intended for the Australian market.

2.3.4 Other relevant details and summary

During the verification, TKM reported commencing welded wire mesh exports to Australia in 2013 and subsequently achieving ACRS certification three years later in 2016.

TKM stated that its mesh products are manufactured in accordance with two standards: the ACRS standard and the National Standards of the People's Republic of China, GB.

TKM clarified that it does not engage in the production or sale of RIC, as they claim it is a distinct product intended for a different market. The company purchases RIC from unrelated suppliers as a raw material input for mesh manufacturing.

TKM stated that all welded wire mesh exported to Australia is produced using ribbed wires.

3 Verification of cost to make and sell completeness and relevance

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and subsequently to audited financial accounts. ADN 2016/30 further describes this verification process.

The commission verified whether the CTM listing TKM submitted is complete and relevant by reconciling it to the audited financial statements, consistent with ADN 2016/30. The commission did not verify SG&A expenses as part of this verification.

The commission reviewed and documented evidence for the following:

- Upwards cost reconciliation workbook
- Difference between cost of goods sold (COGS) in the accounting period and the review period
- Difference between COGS and cost of production
- Accounting adjustments
- Cost of non-goods.

The commission reconciled:

1. COGS for 2023 financial year to the audited financial statements
2. COGS to the trial balance for 2023
3. COGS to the company's total CTM, using trial balance data for the first 3 months of 2023 and the first 3 months of 2024
4. Reconciled COGS in the inquiry period to the CTM by verifying the change in finished goods inventory in the trial balance for the period
5. Reviewed the trial balance totals for each quarter from March 2023 to March 2024, and reconciled this data to the costs incurred during the inquiry period (1 April 2023 to 31 March 2024)
6. Mesh and other products to the inventory ledger details account
7. CTM for the products to the cost calculation worksheet.

The commission did not identify any issues during the verification process. A detailed description of the verification process is provided at **Confidential attachment 1**.

3.1 Cost to make and sell completeness and relevance exceptions

The commission did not find any exceptions.

3.2 Cost to make and sell completeness and relevance finding

The commission is satisfied that the CTM data TKM submitted is complete and relevant for the purposes of this investigation.

4 Verification of cost to make and sell accuracy – raw materials

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The commission considered the facts of the case and conducted a risk analysis before verifying the raw materials purchase listing against the general ledger, to ensure that the conversion costs from RIC to mesh were calculated accurately.

The commission verified the accuracy of the raw materials purchase listing by reconciling it with source documentation, consistent with ADN 2016/30.

The commission did not identify any issues. The verification methodology and results are documented in the verification work program in **confidential attachment 1**.

4.1 Cost allocation method

Table 1. outlines the cost allocation methods applied by TKM and verified for each cost component.

Cost component	Method applied
Raw materials	• Actual costs allocated by quantity • The commission conducted an upward verification of the raw materials purchase listing and confirmed that the data reconciled to supporting documentation. • A downward verification was also performed on the same listing by reconciling selected sales transactions to source documents.
Scrap/by-products	Offsets the value of scrap material against the CTM
Labour	Allocated labour costs based on production quantity
Manufacturing overheads	Allocated manufacturing overheads based on production quantity
Depreciation	Depreciation expenses are allocated based on production quantity.

Table 1. 1 Cost allocation method

4.2 Cost to make accuracy finding – conversion cost

The commission conducted an assessment on the cost of modification (conversion costs) during the verification process, in accordance with subsection 48(3) of the *Customs (International Obligations) Regulation 2015*.

The commission specifically examined the conversion costs associated with manufacturing welded wire mesh from RIC. The conversion costs examined included:

- raw materials costs
- direct labour
- fixed and variable overheads
- depreciation.

SG&A expenses were excluded from this analysis.

The commission is satisfied that the CTM data that TKM submitted is accurate and reasonably reflects the costs incurred in the production of welded wire mesh.

The commission did not identify any issues during this process. Further details of the verification procedures and supporting documentation are included in the verification work program in **Confidential Attachment 1**.

5 Appendices and attachments

Confidential attachment 1	Verification work program
Non-confidential appendix 1	Model control codes

6 Non-confidential appendix 1 – model control codes

Item	Category	Sub-category	Identifier	Sales data	Costs data
1	Prime	Prime	P	Mandatory	Mandatory
		Non-Prime	N		
2	Physical form	Coil	C	Mandatory	Mandatory
		Sheet	S		
3	Maximum carbon content, %	Less than 0.05	1	Mandatory	Mandatory
		Greater than or equal to 0.05 but less than or equal to 0.20	2		
		Greater than 0.20 but less than or equal to 0.24	3		
		Greater than 0.24	4		
4	Largest nominal diameter of solid section of steel (mm)	Less than 6.0	D1	Mandatory	Optional
		Greater than or equal to 6.0 but less than or equal to 6.5	D2		
		Greater than 6.5 but less than or equal to 7.5	D3		
		Greater than 7.5 but less than or equal to 8.5	D4		
		Greater than 8.5 but less than or equal to 9.5	D5		
		Greater than 9.5 but less than or equal to 10.5	D6		
		Greater than 10.5 but less than or equal to 13.5	D7		
		Greater than 13.5	D8		
5	Nominal width of steel mesh sheet (mm)	Less than 200	W1	Mandatory	Optional
		Greater than or equal to 200 but less than or equal to 800	W2		
		Greater than 800 but less 2000	W3		
		Greater than or equal to 2000 but less than 2400	W4		
		Greater than or equal to 2400 but less than 3000	W5		
		Greater than or equal to 3000	W6		
		Coil	C		
6	Nominal length of steel mesh sheet (mm)	Less than or equal to 5000	L1	Mandatory	Optional
		Greater than 5000 but less than 6500	L2		
		Greater than or equal to 6500	L3		
		Coil	C		
7	Galvanised	Galvanised	G	Mandatory	Mandatory
		Non-galvanised	N		