



**ADC 384**

**INVESTIGATION INTO THE ALLEGED DUMPING OF  
ALLOY ROUND BAR EXPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA  
VERIFICATION REPORT - EXPORTER**

**DAYE SPECIAL STEEL**

**NOVEMBER 2017**

**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**

**CONTENTS**

<b>CONTENTS</b> .....	<b>2</b>
<b>1 BACKGROUND</b> .....	<b>3</b>
1.1 INITIATION .....	3
1.2 PURPOSE OF THIS REPORT .....	3
<b>2 THE GOODS AND LIKE GOODS</b> .....	<b>4</b>
2.1 THE GOODS EXPORTED TO AUSTRALIA.....	4
2.2 LIKE GOODS SOLD ON THE DOMESTIC MARKET .....	4
2.3 MODEL MATCHING .....	4
2.4 LIKE GOODS – PRELIMINARY ASSESSMENT.....	4
<b>3 VERIFICATION OF EXPORT SALES TO AUSTRALIA</b> .....	<b>5</b>
3.1 VERIFICATION OF AUSTRALIAN SALES TO AUDITED FINANCIAL STATEMENTS .....	5
3.2 VERIFICATION OF AUSTRALIAN SALES TO SOURCE DOCUMENTS .....	5
3.3 THE EXPORTER .....	5
3.4 THE IMPORTER.....	5
3.5 RELATED CUSTOMERS .....	5
3.6 ARMS LENGTH.....	5
3.7 EXPORT PRICE – PRELIMINARY ASSESSMENT .....	6
<b>4 COST TO MAKE AND SELL</b> .....	<b>7</b>
4.1 VERIFICATION OF COSTS TO AUDITED FINANCIAL STATEMENTS .....	7
4.2 VERIFICATION OF COSTS TO SOURCE DOCUMENTS .....	7
4.3 COST TO MAKE AND SELL - SUMMARY.....	7
<b>5 VERIFICATION OF DOMESTIC SALES</b> .....	<b>8</b>
5.1 VERIFICATION OF DOMESTIC SALES TO AUDITED FINANCIAL STATEMENTS .....	8
5.2 VERIFICATION OF DOMESTIC SALES TO SOURCE DOCUMENTS.....	8
5.3 RELATED CUSTOMERS .....	8
5.4 ARM’S LENGTH.....	8
5.5 ORDINARY COURSE OF TRADE .....	8
5.6 SUITABILITY OF DOMESTIC SALES AND PROFIT.....	9
5.7 DOMESTIC SALES - SUMMARY .....	9
<b>6 ADJUSTMENTS</b> .....	<b>10</b>
6.1 DOMESTIC INLAND TRANSPORT AND HANDLING .....	10
6.2 EXPORT INLAND TRANSPORT AND HANDLING.....	10
6.3 DOMESTIC CREDIT COSTS.....	10
6.4 EXPORT BANK CHARGES .....	10
6.5 EXPORT NON-REFUNDABLE VAT.....	10
6.6 ADJUSTMENTS – CONCLUSION .....	10
<b>7 NORMAL VALUE</b> .....	<b>12</b>
<b>8 DUMPING MARGIN</b> .....	<b>13</b>
<b>9 APPENDICES AND ATTACHMENTS</b> .....	<b>14</b>

## **1 BACKGROUND**

### **1.1 Initiation**

On 10 January 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an investigation in respect of the alleged dumping of alloy round bar exported from the People's Republic of China (China).

Anti-Dumping Notice (ADN) No. 2017/02 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The background relating to the initiation of this investigation is contained in Consideration Report No. 384 (CON 384).

Following this initiation, the Commission wrote to Daye Special Steel (Daye) inviting it to cooperate with the investigation. Daye provided an exporter questionnaire response (EQR) and relevant attachments for the investigation period (1 October 2015 to 30 September 2016).

### **1.2 Purpose of this report**

A detailed analysis of Daye's exporter questionnaire response (EQR) was completed. To assist with the verification of Daye's EQR, the verification team sought additional data to be satisfied that the data provided in the EQR was complete, relevant and accurate. The verification team's analysis of Daye's EQR included tests for the reasonableness, accuracy and completeness of the export sales, domestic sales and cost to make and sell (CTMS) data utilised in calculating the dumping margin. The Commission elected not to conduct an on-site verification visit at Daye's premises

## **2 THE GOODS AND LIKE GOODS**

### **2.1 The goods exported to Australia**

During the investigation period Daye exported alloy round bar for mechanical engineering purposes.

### **2.2 Like goods sold on the domestic market**

During the investigation period Daye sold alloy round bar into the Chinese domestic market for a range of end uses (including mechanical engineering steel, automotive steel, energy industry steel and others).

### **2.3 Model matching**

The verification team notes that due to market situation claims the normal value has been calculated under section 269TAC(2)(c) which does not require matching domestic models to export models of alloy round bar.

### **2.4 Like goods – preliminary assessment**

The Commission considers the alloy round bar produced by Daye for the domestic market to be like to the exported goods. However, for reasons discussed below under section 5.6, for the purposes of establishing the normal value the verification team will construct the normal value under section 269TAC(2)(c).

### **3 VERIFICATION OF EXPORT SALES TO AUSTRALIA**

#### **3.1 Verification of Australian sales to audited financial statements**

The verification team verified the completeness and relevance of Daye's export sales listing by reconciling it to audited financial statements having regard to the procedures outlined in ADN. No 2016/30. During this process the verification team did not identify any issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

#### **3.2 Verification of Australian sales to source documents**

The verification team verified the accuracy of Daye's export sales listing by reconciling it to source documents having regard to the procedures outlined ADN No. 2016/30. During this process, the verification team did not identify any issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

#### **3.3 The exporter**

For all Australian export sales during the investigation period, the verification team considers Daye to be the exporter of the goods.<sup>1</sup>

#### **3.4 The importer**

The verification team considers that, in relation to the goods exported by Daye, the customer listed in the export sales listing was the beneficial owner of the goods at the time of importation. This is consistent with the terms of the exportations reported by Daye.

#### **3.5 Related customers**

The verification team did not find any evidence to suggest that Daye was related to its Australian customers.

#### **3.6 Arms length**

In respect of export sales of alloy round bar to Australia by Daye during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or

---

<sup>1</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

## PUBLIC RECORD

- 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 verification team therefore considers that all sales of alloy round bar exported to Australia by Daye during the inquiry period were arms length transactions.<sup>2</sup>

### 3.7 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is reasonably complete, relevant and accurate and recommends that the export price be established under subsection 269TAB(1)(a), using the invoiced price, less deductions to the free on board (FOB) level as required.

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

---

<sup>2</sup> In accordance with section 269TAA.

## **4 COST TO MAKE AND SELL**

### **4.1 Verification of costs to audited financial statements**

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

The verification team was able to reconcile the CTMS data to audited financial statements.

Details of the verification process are contained in the verification work program and relevant attachments at **Confidential Attachment 1**.

### **4.2 Verification of costs to source documents**

The verification team verified the accuracy of certain items in Daye's CTMS spreadsheet by reconciling it to source documents. In particular, the verification team focused on the cost of billet, the key raw material used in manufacturing alloy round bar. The verification team were able to reconcile the amounts recorded in the CTMS data with source documents.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

### **4.3 Cost to make and sell - summary**

Having verified Daye's cost to make and sell (CTMS) data for round bar to audited financial accounts and source documents, the verification team is satisfied that the CTMS spreadsheets are complete, relevant and accurate.

The verification team's analysis of Daye's CTMS data is at **Confidential Appendix 2**.

## **5 VERIFICATION OF DOMESTIC SALES**

### **5.1 Verification of domestic sales to audited financial statements**

The verification team verified the completeness and relevance of Daye's domestic sales listing by reconciling it to audited financial statements having regard to the procedures outlined in ADN. No 2016/30. During this process the verification team did not identify any issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

### **5.2 Verification of domestic sales to source documents**

The verification team verified the completeness and relevance of Daye's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process the verification team did not identify any issues.

Details of the verification are contained in the verification work program and relevant attachments at **Confidential Attachment 1**.

### **5.3 Related customers**

The verification team did not identify any related customers in the domestic sales listing.

### **5.4 Arm's length**

In respect of domestic sales of alloy round bar made by Daye to its customers during the investigation period, the verification team found no evidence that:

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

The verification team therefore considers that all domestic sales made by Daye to its customers during the investigation period were arms length transactions.

### **5.5 Ordinary course of trade**

Section 269TAA of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of alloy round bar to the corresponding quarterly domestic CTMS to test whether those sales were profitable.



## **PUBLIC RECORD**

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the inquiry period. Those sales found to be unrecoverable were considered not to be in the OCOT.

### **5.6 Suitability of domestic sales and profit**

Subsection 269TAC(2)(a)(ii) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is a situation in the market of the country of export such that sales in that market are not suitable for use.

Therefore, the verification team has determined normal values under 269TAC(2)(c) using the CTM of the exported goods, plus SG&A applicable to the goods sold domestically. An additional amount of profit was included based on the profit made on domestic goods sold in the OCOT.

### **5.7 Domestic sales - summary**

The verification team is satisfied that the domestic sales list provided by Daye is complete, relevant and accurate.

Calculation of domestic sales and profit in the OCOT are at **Confidential Appendix 3**.

## **6 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were considered to the normal value.<sup>3</sup>

### **6.1 Domestic inland transport and handling**

The verification team has applied a downwards adjustment to the normal value calculated in section 7. This adjustment is based on the verified domestic inland transport and handling costs reported by Daye.

### **6.2 Export inland transport and handling**

The verification team considers an upward adjustment for export inland transport and handling is required to ensure a fair comparison to the export price. The adjustment for export inland transport and handling is based on the verified costs reported by Daye for their export sales transactions

### **6.3 Domestic credit costs**

The verification team considers a downwards adjustment for domestic credit costs is required to ensure a fair comparison to the export price. The adjustment for domestic credit costs is based on the verified costs reported by Daye for their domestic sales transactions

### **6.4 Export bank charges**

The verification team considers an upward adjustment for export bank charges is required to ensure a fair comparison to the export price. The adjustment for export bank charges is based on the verified costs reported by Daye for their export sales transactions

### **6.5 Export non-refundable VAT**

The verification team considers an upwards adjustment for Value Added Tax (VAT) is required to reflect the VAT liability (non-refundable) for the exported goods. The adjustment for non refundable VAT is the difference between the full VAT on the domestic market and the VAT refunded on the export market.

### **6.6 Adjustments – conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

---

<sup>3</sup> In accordance with subsection 269TAC(9)

## PUBLIC RECORD

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic inland transport and handling costs	<b>Deduct</b> domestic inland transport and handling costs
Export inland transport and handling costs	<b>Add</b> export inland transport and handling costs
Domestic credit costs	<b>Deduct</b> domestic credit costs
Export bank charges	<b>Add</b> export bank charges
Value Added Tax	<b>Add</b> an amount for non-refundable VAT.

## **7 NORMAL VALUE**

Due to the Commissioner's preliminary market situation finding in this investigation, the normal value for Daye has been constructed under subsection 269TAC(2)(c) using Daye's cost to make round bar exported to Australia (noting that the costs of billet and alloys were replaced with benchmarks), plus an amount for SG&A on the assumption that the goods, instead of being exported were sold domestically. An additional amount of profit was included based on the profit made on domestic goods sold in the OCOT.

To ensure the comparability of normal values and export prices the following adjustments to normal value were made under subsection 269TAC(9) of the Act (Chapter 6 refers):

- a downwards adjustment for inland freight and inland handling charges;
- an upwards adjustment for export freight and export handling charges;
- a downwards adjustment for domestic credit costs;
- an upwards adjustment for export bank charges; and
- an upwards adjustment for Value Added Tax (VAT).

The normal values were calculated at FOB terms.

Preliminary normal value calculations are at **Confidential Appendix 4**.

## **8 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding constructed normal value for the investigation period.<sup>4</sup>

The dumping margin in respect of alloy round bar exported by Daye for the investigation period is **33.0%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

---

<sup>4</sup> In accordance with subsection 269TACB(2)(a).

## PUBLIC RECORD

### 9 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Export Sales
<b>Confidential Appendix 2</b>	Domestic CTMS
<b>Confidential Appendix 3</b>	OCOT analysis
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program with attachments