



Exporter Verification Report

ADC Case: 469

Verification & Case Details

Initiation Date	04/06/2018	ADN:	2018/86
Case:	PVC Flat Electrical Cables exported from China		
Exporter	Nanyang Cable (Tianjin) Co. Ltd.		
Location	CHINA		
Verification from	15/08/2018	to	20/08/2018
Investigation Period	01/01/2017	to	31/12/2017

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

CONTENTS..... 2

1 COMPANY BACKGROUND 3

1.1 CORPORATE STRUCTURE AND OWNERSHIP 3

1.2 RELATED PARTIES 3

2 THE GOODS AND LIKE GOODS 4

2.1 PRODUCTION PROCESS..... 4

2.2 THE GOODS EXPORTED TO AUSTRALIA 4

2.3 GOODS SOLD ON THE DOMESTIC MARKET 4

2.4 LIKE GOODS – ASSESSMENT 5

3 UPWARDS VERIFICATION OF SALES..... 6

3.1 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE 6

3.2 COMPLETENESS AND RELEVANCE FINDING 6

4 DOWNWARDS VERIFICATION OF SALES 7

4.1 VERIFICATION OF SALES ACCURACY 7

4.2 SALES ACCURACY FINDING 8

5 COST TO MAKE AND SELL..... 9

5.1 VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA 9

5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA 11

5.3 VERIFICATION OF CTMS ALLOCATION METHODOLOGY 11

5.4 VERIFICATION OF CTMS METHODOLOGY FINDING..... 12

5.5 VERIFICATION OF ACCURACY OF CTMS DATA 12

5.6 ACCURACY FINDING OF CTMS DATA 13

6 EXPORT PRICE 14

6.1 THE IMPORTERS..... 14

6.2 THE EXPORTER 14

6.3 ARMS LENGTH..... 14

6.4 EXPORT PRICE – ASSESSMENT 15

7 DOMESTIC SALES SUITABILITY..... 16

7.1 ORDINARY COURSE OF TRADE..... 16

7.2 SUITABILITY OF DOMESTIC SALES 16

7.3 PROFIT..... 16

8 NORMAL VALUE..... 17

9 ADJUSTMENTS 18

9.1 RATIONALE AND METHODOLOGY 18

9.2 ADJUSTMENTS 19

10 DUMPING MARGIN 20

11 SUBSIDIES 21

11.1 PREFERENTIAL TAX PROGRAMS 21

11.2 GRANTS 21

11.3 PROVISION OF INPUTS AT LESS THAN ADEQUATE REMUNERATION 21

11.4 SUBSIDIES - CONCLUSION 22

12 APPENDICES AND ATTACHMENTS..... 23

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Nanyang Cable (Tianjin) Co. Ltd. (Nanyang) was established in 2009 as a manufacturer of low and medium voltage electrical cables. Nanyang is a subsidiary of and 100 per cent owned by the Nanyang Tianrongxin Technology Group Holding Co. Ltd. (Nanyang Group) which was established in 1998 and listed on the Shenzhen Stock Exchange in 2008.

The Nanyang Group is comprised of five companies, including four electric cable companies: Guangzhou Nanyang Cable Co. Ltd., Guangzhou Nanyang New Energy Co. Ltd., Guangdong Nanyang Cable Co. Ltd and Nanyang Cable (Tianjin) Co. Ltd., each having an electric cable manufacturing facility, and one security software company (Beijing Tianrongxin Technology Co.). Prior to the establishment of the Nanyang Group, Guangdong Nanyang Wire Co. Ltd, established in 1985, supplied electric cable under the Nanyang brand on the domestic market.

1.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

1.2.1 Related Customers

Nanyang's primary customer in Australia, NAN Electrical Cable Australia Pty. Ltd. (NAN Australia), is a related entity. Nanyang owns NAN Australia and exports the manufactured electric wire products into Australia, including the goods under consideration (GUC), exclusively via NAN Australia. NAN Australia was established in 2013, although Nanyang commenced export sales of electric cable to Australia in 2004.

1.2.2 Related Suppliers

Nanyang advised that it is not related to any of its suppliers of raw materials. No evidence was found of any relationship other than a commercial buyer / seller relationship between Nanyang and its unrelated suppliers of raw materials.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

The verification team visited the Tianjin manufacturing facility and observed the goods being produced.

The manufacturing process is as follows:

- 8 mm diameter copper rod is drawn to smaller diameter copper wire in two stages, first from 8 mm to 2 mm on a large drawing machine, then from 2 mm to the desired wire diameter on another drawing machine.
- A number of the wires are mechanically stranded (twisted) to produce the conductor with a cross-sectional area of 2.5 mm².
- The conductor is fed into a polyvinyl chloride (PVC) extrusion process which insulates the conductor core with PVC. The PVC has colour of red, black or yellow/green in accordance with the requirements of the Australian Standard, and which is cooled in a water bath before being wound onto a drum.
- Three drums of conductor cores (one red, one black and one green/yellow) are simultaneously fed into another PVC extruder in a parallel configuration for the application of the coloured PVC sheathing to create the flat electric cable.
- The cable is subsequently printed with markings to the Australian Standard (manufacturer, model designation, year of manufacture, voltage rating) before passing through another water bath to cool the cable and being wound onto plastic reels.

Nanyang provided a flow chart of the production process with its response to exporter questionnaire.

2.2 The goods exported to Australia

In its response to the exporter questionnaire (REQ), Nanyang provided data for only white cable which matched the goods description. During the visit, the verification team observed that cable of other colours were also produced by Nanyang and sold to Australia. The different coloured cable differed only in their sheath colour and are considered to be like goods.

The verification team also considered if any other cable product manufactured by Nanyang and sold on the Australian market might be considered like goods. The verification team analysed the brochure of goods exported to Australia, inspected the product codes in Nanyang's total company sales data and undertook a site tour and were satisfied that Nanyang had identified all like goods exported to Australia.

2.3 Goods sold on the domestic market

The verification team confirmed that the like goods exported to Australia were not sold on the domestic market.

PUBLIC RECORD

The primary differences between the exported good and low voltage cable suitable for connection to mains electricity power installations sold on the domestic good include the following:

Physical likeness

The domestic good is manufactured to a different technical standard which physically differentiates it from exported products. The domestic good is a wire comprised of a single copper core whereas the exported good comprises three copper cores configured in parallel and having distinct designations, including an Earth wire, which correspond to the Australian Standard.

Commercial likeness

The verification team considers that there is little to no commercial similarity between the goods and domestically sold low voltage cables. The verification team notes that the goods are specifically manufactured for Australian market and competes with other suppliers in the housing and construction market in Australia.

Functional likeness

Whilst some domestic cable would be functionally alike to the exported cable, the electric cable exported to Australia are manufactured exclusively for the Australian market and complies with the Australian Standards. The company explained that the requirements of electric cable according to the Australian Standard are incompatible with the domestic standards for electric cable. As such, the domestic and export good are not interchangeable between Chinese and Australian markets.

Production likeness

There is significant production difference regarding the number and diameter of the wires used in the manufacturing of the domestic and export product.

2.4 Like goods – assessment

The verification team considers that the goods produced by Nanyang for domestic sale do not have characteristics closely resembling those of the goods exported to Australia and are therefore not 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 UPWARDS VERIFICATION OF SALES

3.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

3.1.1 Exceptions during Verification of Sales Completeness and Relevance

No.	Exception	Resolution	Evidence Relied On
1	Not all GUC included in the sales listing. Goods listed as 'low voltage cable' while matching the goods description were excluded from the sales listing.	Nanyang explained that the excluded goods which match the goods description had been omitted by mistake. The Verification team reviewed the product brochure and specification sheets and were of the view that the excluded goods were GUC and should be included in the sales listing. Verification team queried the accounting system to extract all GUC into a revised sales listing. The verification team were satisfied that the revised listing included all GUC.	The verification team relied on data extracted from the audited accounting system, product brochures and specification sheets to be satisfied that the revised sales listing was complete and relevant.

3.2 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Nanyang Cable (Tianjin) Co. Ltd., including any required amendments as outlined as an exception above, is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of Sales Accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur) The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

4.1.1 Exceptions during Verification of Sales Accuracy

No.	Exception	Resolution	Evidence Relied On
1	The verification identified that transport and handling cost had been overstated	Nanyang’s accounting system was able to isolate the total Australian transport and handling costs for 2017. The verification team calculated a new rate by dividing the total Australian transport and handling costs by the total volume in kilometres.	The Verification team relied on data extracted from the audited accounting system.
2	Nanyang advised that it had made some errors in the sales listing.	Nanyang provided a detailed overview of errors in the sales listing. The verification team analysed the corrections and were satisfied with the explanations provided. The corrections had no effect on the total quantity of cable sold during the investigation period. The corrections had an immaterial effect on the total sales revenue (less than 1 per cent).	The Verification team considered the detailed overview of corrections provided by Nanyang and was satisfied with the explanations provided.

4.2 Sales Accuracy Finding

The verification team are satisfied that the sales data provided in the exporter questionnaire response by Nanyang Cable (Tianjin) Co. Ltd., including any required amendments as outlined as an exception above, is accurate.

5 COST TO MAKE AND SELL

5.1 Verification of completeness and relevance of CTMS data

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5.1.1 Exceptions during Verification of Completeness and Relevance of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Not all relevant costs to make the Australian goods were included in the original submission	<p>Nanyang explained that the excluded goods which match the goods description had been omitted by mistake. The Verification team reviewed the product brochure and specification sheets and were of the view that the excluded goods were GUC and should be included in the CTMS.</p> <p>Verification team queried the accounting system to extract all GUC into a revised CTMS listing. The Verification team were satisfied that the revised listing included all GUC.</p> <p>The Verification team were satisfied that the CTMS is accurate.</p>	The Verification relied on data extracted from the audited accounting system, product brochures and specification sheets to be satisfied that the revised CTMS was complete and relevant.
2	Nanyang did not provide the verification team with a complete listing of its copper purchases during the Investigation Period.	Nanyang explained that it had provided a sample of the copper purchase listing at random and that the copper listing represents only a portion of the total copper purchased in 2017. The verification team requested a full	The verification team observed that some copper purchases in the company’s accounting system were excluded from the

PUBLIC RECORD

		company copper purchase listing, however Nanyang did not wish to provide a complete listing as the company considers the information confidential. The verification team informed the company that in the absence of a complete and verified copper purchase listing, the Commissioner of the Anti-Dumping Commission (the Commissioner) may deem them uncooperative and consider the copper purchases unreliable and seek other relevant information in the determination of copper costs. For the purposes of the dumping margin, the verification team adjusted the raw material cost for purchases of copper using the Shanghai Futures Exchange daily price for copper cathode plus conversion premium of cathode into rod plus delivery costs.	raw material copper purchase listing.
3	Not all the PVC related to the GUC was included in the PVC purchase listing.	Nanyang provided an updated PVC purchase listing, however the verification team did not have time to verify if this was a complete listing. We benchmarked Nanyang's PVC cost against another cooperating exporter's verified data and found that the unit PVC cost allocated into Nanyang's CTMS is comparable to the verified exporter.	The verification team benchmarked the PVC cost against another verified exporter's data.
4	Direct labour, Manufacturing overheads were understated	The verification team identified that certain provisions for salary were omitted from the CTMS for these expenditure items.	The verification team relied on the audited accounting system to identify the relevant salary expenditures and provisions. The verification team included the relevant expenditure items into CTMS and considers that Direct labour and

PUBLIC RECORD

			Manufacturing overheads is complete and relevant.

5.2 Completeness and Relevance Finding of CTMS data

The verification team was not satisfied that the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Nanyang, including any required amendments as outlined as an exception above, is complete and relevant considering that Nanyang did not provide the verification team with a complete listing of its copper purchases during the investigation period.

5.3 Verification of CTMS Allocation Methodology

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Based on costs reported in the accounting system.	Accounting system
Scrap Allocation	Not allocated as the exporter could not substantiate scrap recovery costs.	Insufficient evidence
Manufacturing Overheads	Manufacturing overheads was comprised of several components and allocated based on a combination of: actual costs as a proportion of total manufacturing costs; and revenue from the GUC as a portion of total revenue.	Accounting system and invoices
Labour	Labour was based on a contracted cost for the manufacture of GUC and multiplied against production volumes as well as allocating other labour provisions based on a percentage of those provisions against total salaries.	Accounting system
Depreciation	Depreciation was allocated by firstly identifying the machinery used in the manufacture of the GUC and then the charge was allocated based on revenue from the GUC as a portion of total revenue.	Accounting system.
SG&A	In the absence of like goods in the domestic market, the verification team calculated SG&A as a percentage of cost to make (CTM) of the goods sold to Australia.	Accounting system

PUBLIC RECORD

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5.3.1 Verification of CTMS Allocation Methodology Exceptions

No.	Exception	Resolution	Evidence Relied On
1	Manufacturing overheads, fixed overheads and depreciation were incorrectly allocated to CTMS.	Allocations for these expenditure items were not consistent with the allocations the verification team had determined as part of the upward and downward reconciliation process.	The verification team relied on evidence obtained during the upward and downward reconciliation process to correct the allocations.
2	Packing & Hedging	The verification team considered that these expenditures are SG&A items. Packing was removed from CTMS and accounted for as an adjustment. Hedging was incorporated into SG&A without an adjustment.	The verification team relied on data verified during the verification visit.
3	SG&A allocation	The verification team calculated a domestic SG&A for the purposes of constructing a normal value.	The verification team relied on data verified during the verification visit.

5.4 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the cost to make and sell (CTMS) data provided in the exporter questionnaire response by Nanyang, including any required amendments as outlined as an exception above, is reasonable.

5.5 Verification of Accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

PUBLIC RECORD

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5.5.1 Exceptions during Verification of Accuracy of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Raw Materials included VAT	The verification team identified that material costs in the CTMS included VAT. The verification team re-calculated Nanyang's CTMS without VAT included in raw material costs.	The verification team identified the report that was extracted from the accounting system used to formulate material costs and identified that it included VAT.
2	Variable overheads were based on budgeted costs	The exporter identified that variable overheads were based on budgeted figures and not on actual data.	The exporter revised the exporter questionnaire and the verification team traced the expenditure to an invoice from a third party provider and evidenced payment of that invoice.

5.6 Accuracy Finding of CTMS data

The verification team has calculated competitive market cost of copper in China using the Shanghai Futures Exchange copper cathode prices and has amended the raw material cost for copper in the cost to make and sell (CTMS) based on the determined competitive market costs. The PVC cost claimed in the CTMS was compared against another verified exporter and found to be comparable. Having adjusted the copper price in CTMS and after assessing the PVC cost against another exporter.

6 EXPORT PRICE

6.1 The importers

In relation to the goods exported by Nanyang to Australia, the verification team considers that NAN Australia, as the sole customer of the goods during the investigation period, were the beneficial owners of the goods at the time of importation, and therefore were the importer of the goods.

6.2 The exporter

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.

The verification team were satisfied that for all Australian export sales during the period, Nanyang is the exporter of the goods.

6.3 Arms length

In respect of Nanyang Cable (Tianjin) Co. Ltd.'s Australian sales of the goods during the 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 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.²

As detailed in the Commission's Dumping and Subsidy Manual, in assessing the arm's length nature of transactions the Commission will also examine relevant information to determine whether there has been genuine bargaining between buyer and seller.

In respect of exports to Australia by Nanyang to its subsidiary Nan Australia during the investigation period, the verification team considers that 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 verification team has relied on information obtained during the exporter verification process, as well as information obtained during the NAN importer verification, which indicates that that there are no price negotiations or other kind of bargaining taking place between NAN and Nanyang, and that the price for the goods that are on-sold into the Australian market by NAN are sold at a loss.

² Section 269TAA of the Act refers.

PUBLIC RECORD

The verification team therefore considers that sales between the exporter and importer of the goods during the review period were not arms' length transactions.

6.4 Export Price – assessment

In respect of Australian sales of the goods by Nanyang Cable (Tianjin) Co. Ltd., the verification team recommends that the export price cannot be determined under paragraph 269TAB(1)(a). The verification team considers that the purchase of the goods by the importer was not an arms length transaction. As the goods were subsequently sold by the importer in the condition that they were imported, the verification team recommends that the export price be determined under paragraph 269TAB(1)(b), being the price at which the goods were so sold by the importer less the prescribed deductions (profit, SG&A, inland freight, ocean freight and importation costs).

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

7 DOMESTIC SALES SUITABILITY

As discussed in section 2.3 above, the verification team considers that there were no sales of like goods on the domestic market in China. As such we did not undertake a verification of domestic sales at the visit.

7.1 Ordinary course of trade

Section 269TAAD 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).

As the verification team were satisfied that there were no like goods sold in the domestic market it has not conducted an ordinary course of trade test. There is no requirement under Regulation 45(3)(a) to conduct an ordinary course of trade test for the same general category of goods and thus the verification team has not conducted this test for the domestic sales of the same general category of goods.

7.2 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

As there were no like goods sold in the domestic market, normal values cannot be ascertained under subsection 269TAC(1).

7.3 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team identified a general category of goods sold on the domestic market as being a 2.5mm single core electric cable that is used in housing and building construction for power supply. The verification team determined that this product was not profitable. This is consistent with the Audited annual report which showed Nanyang incurred a loss for the 2017 financial year.

8 NORMAL VALUE

As there were no like goods sold in the domestic market, normal values cannot be ascertained under subsection 269TAC(1). As such, the verification team considers that the normal value should be assessed under subsection 269TAC(2)(c).

Noting that the verification team found in section 5.5.1 of this report that Nanyang's copper rod purchases data was not complete, the verification team recommends that the Minister consider Nanyang's copper rod purchasing data unreliable for the purposes of calculating a normal value under subsection 269TAC(7) of the Act.

Therefore, the verification team calculated the normal value under subsection 269TAC(2)(c), using Nanyang's cost of production of the GUC by substituting its copper rod costs with competitive market cost of copper rod in China³ on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export and adding Nanyang's domestic SG&A cost associated with such a sale and the profit on that sale.⁴

As required by subsections 269TAC(5A) and 269TAC(5B), the costs of production or manufacture, the SG&A costs and profit must be established in accordance with Regulations 43, 44 and 45 of the Regulations, respectively.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 9.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

³ Calculation of competitive market cost for copper rod is explained in section 5.5.1 of this report.

⁴ In this case, the verification team calculated that Nanyang was not profitable in the sales of the general category of goods in its domestic market. However, the Commission may further consider the calculation and treatment of profit for the purposes of calculating the normal value.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

9.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Claimed in REQ?
Export inland transport and handling cost	The verification team noted that export sales include inland transport and handling, resulting in an upwards adjustment to the normal value.	Calculated as the weighted average of inland transport and handling costs for export sales.	N
Export packaging cost	The verification team noted that export sales include packaging, resulting in an upwards adjustment to the normal value.	Calculated as the weighted average of packaging costs for export sales.	N
Export credit cost	The verification team noted that export sales included credit terms. This resulted in an upwards adjustment to the normal value.	Calculated based on actual days observed for payment for exports and short term interest rate charged by the exporter's bank. The company provided a bank statement as evidence for the short term interest rate.	N

PUBLIC RECORD

9.2 Adjustments

Adjustment Type	Deduction/addition
Export inland transport and handling	Add the cost of export inland and handling transport
Export packaging cost	Add the cost of export packaging
Export credit cost	Add the cost of export credit

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

10 DUMPING MARGIN

The preliminary dumping margin has been assessed by comparing the quarterly weighted average export prices which are calculated under subsections 269TAB(1)(b) to the corresponding quarterly weighted average normal values for the investigation period, in accordance with subsection 269TACB(2)(a).

Subsection 43(2) of the Regulations requires that, if an exporter keeps records relating to the like goods which are in accordance with generally accepted accounting principles, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records. As explained in section 5.5.1 above, the verification team considers that Nanyang's copper rod costs are unreliable and therefore does not reflect competitive market costs in China. The normal values calculated in this report are therefore based on the verified cost to make and sell data with the exception of copper rod costs.

The preliminary dumping margin in respect of the goods exported to Australia by Nanyang Cable (Tianjin) Co. Ltd for the period is **33.19 per cent**.

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

11 SUBSIDIES

11.1 Preferential Tax Programs

According to the exporter questionnaire, Nanyang receives a tax benefit. The verification team requested a tax certificate detailing the benefit but from the information obtained could not identify the benefit. The verification team calculated the tax benefit based on the information obtained from the Audited Financial Report.

11.2 Grants

The verification team verified the completeness of the grants list declared in the exporter questionnaire by reconciling the amounts to the non-operating income ledger over the investigation period. The team was satisfied that the only grant obtained by Nanyang was accurately captured in the exporter questionnaire response and considers that the grant program is not related to the goods under consideration.

11.3 Provision of inputs at less than adequate remuneration

In its exporter questionnaire response, Nanyang provided a spreadsheet listing its purchases of copper and PVC during the review period. Nanyang advised that it was not a complete listing for copper purchases. The verification team explained that the Commission requires a complete list of copper purchases to be able to verify Nanyang's copper costs in its CTMS and to be able to assess the provision of copper at less than adequate remuneration claims. Nanyang stated that it was commercially sensitive information and did not subsequently update the listing during the verification visit. As such, the verification team does not have a complete listing of all raw material purchases for the purposes of calculating the countervailing margin. At the visit, Nanyang claimed that none of its copper purchases were from state owned or invested enterprises. However, as Nanyang did not provide a complete copper purchase listing, the verification team recommends to the Commissioner to be satisfied that Nanyang did not give information the Commissioner considered to be relevant to the investigation, within a period the Commissioner considered to be reasonable and declare Nanyang uncooperative for the purposes of the countervailing investigation. The verification team took all Nanyang's copper purchases as purchases from state owned or invested enterprises for the purposes of calculating the countervailing rate. The verification team calculated the benefit conferred by provision of copper at less than adequate remuneration (LTAR) by having regard to the difference between the purchase price in each of the copper purchases provided by Nanyang to the calculated competitive market costs of copper in China which is based on the Shanghai Futures Exchange daily price for copper cathode plus conversion premium of cathode into rod in China plus delivery costs. The difference between the weighted average copper purchase costs of Nanyang and the average of calculated competitive market costs is taken to be the benefit conferred by provision of copper at LTAR.

Details of the preliminary countervailing margin are at **Confidential Appendix 6**.

11.4 Subsidies - conclusion

The verification team considers that a subsidy margin is applicable and has calculated Nanyang's total preliminary countervailing margin based on the benefit conferred by provision of copper at less than adequate remuneration and the benefit Nanyang received from preferential taxation programs as **3.12 per cent**.

12 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Appendix 6	Subsidies
Confidential Attachment 1	Verification work program