



## Exporter Benchmark Verification Report

### Verification & Case Details

<b>Initiation Date</b>	16/11/2018	<b>ADN:</b>	2019/175
<b>Case:</b>	Investigation on the alleged dumping and subsidisation of steel reinforcing bar		
<b>Case Number</b>	495		
<b>Exporter</b>	Çolakoğlu Metalurji A.Ş.		
<b>Location</b>	Turkey		
<b>Investigation period</b>	1 October 2017	<b>to</b>	30 September 2018

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

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## 1 BACKGROUND

### 1.1 Benchmark Verification

On 15 January 2019, Çolakoğlu Metalurji A.Ş. (Colakoglu) submitted its response to the exporter questionnaire (REQ) in relation to the dumping and subsidy investigation into steel reinforcing bar exported from the Republic of Turkey (Turkey). The REQ received from Colakoglu was lodged within the legislated timeframe and considered complete and free of material deficiencies.

Whilst Colakoglu was not requested to host the Commission for a verification visit, its REQ response was considered suitable such that it could be verified by having regard to other information available and benchmarking the data in its response to other data sources.

The reliability of data in the Colakoglu REQ has been established by ascertaining the variable factors relevant to its exports of rebar to Australia and benchmarking these factors, and the relevant data underlying these factors to the following:

- the sales and cost data and the variable factors ascertained for other cooperating exporters that were the subject of a verification visit<sup>1</sup>;
- the sales and cost data and the variable factors ascertained for other cooperating exporters whose data was not the subject of a verification visit; and
- the response from the Government of Turkey (GoT).

Where the examination of the data in the Colakoglu REQ produced results that were inconsistent with those observed in relation to other exporters' data or other relevant information, the verification team has escalated the level of verification where necessary.

The verification team found that the variable factors ascertained for Colakoglu were consistent with those established for other verified exporters and are therefore considered reliable for the purposes of determining the level of dumping and subsidisation relating to the exports of the goods to Australia by Colakoglu during the investigation period.

Details of the benchmark verification assessment is contained in **Confidential Attachment 1**.

### 1.2 Corporate Structure and Ownership

Colakoglu is a privately owned company which manufactures and sells steel reinforcing bar (rebar). Colakoglu also manufactures and sells steel slab, billets, and hot rolled coil.

Colakoglu is the functional parent company of a group of companies whose operations include iron and steel production, trading, investment, energy, logistics, aviation, mining, and hardware and software support services.

### 1.3 Related Parties

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

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<sup>1</sup> Questionnaire responses received from Kroman Celik and Diler Disticaret were subject to a verification visit in Turkey. Verification reports for both visit are on the case public record at items 26 and 27.

### **1.3.1 Related Customers**

For all sales of the goods to Australia during the investigation period, Colakoglu sold via a wholly owned subsidiary, Çolakoğlu Dis Ticaret A.Ş. (COTAS).

Colakoglu reported in its REQ<sup>2</sup> that it did not sell the goods to any related domestic or export customers during the investigation period. The verification team did not find any evidence to suggest that Colakoglu was related to its Australian or domestic customers.

### **1.3.2 Related Suppliers**

Colakoglu reported in its REQ that it did not purchase and raw materials from related companies. The verification team did not find any evidence to suggest that Colakoglu was related to any of its suppliers.

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<sup>2</sup> Case 495 Public Record Item No.011

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

### **2.1 Production process**

Colakoglu produced the goods for domestic, Australian and third country markets. During the investigation period, Colakoglu only sold rebar in straight form to Australia and on the domestic market.

Colakoglu describes the production process of rebar as follows. In the production process, scrap is first melted in the electric arc furnace in the meltshop. The molten metal is then adjusted in a ladle furnace and cast into billets. Billets leaving the casting stage are transferred either to one of the rolling mills or sold to third parties.

The rolling mill receives most of their billets directly from the melt-shop (Colakoglu also purchases some billets for use in the production of rebar). These are first reheated to 1200 degrees C in the re-heating stage. The hot billets are then forced continuously through successive stages of shaped rollers with decreasing clearances, forming a thick continuous rod of steel. After the final diameter is reached the rebar is cut to various lengths. These products are transported laterally by rollers to a packing area where they are bundled and stored or held for shipment.

### **2.2 Model control codes (MCCs)**

Colakoglu provided sales and cost data in its response to the exporter questionnaire in accordance with the MCC structure detailed in ADN No.2018/175.

<b>Item</b>	<b>Category</b>	<b>Sub-category</b>	<b>Identifier</b>
1	Prime	Prime	P
		Non-Prime	N
2	Minimum yield strength specified by product standard (Mega Pascals or "MPa")	Less than or equal to 300	A
		Greater than 300 but less than or equal to 480	B
		Greater than 480 but less than 550	C
		Equal to or greater than 550	D
3	Finished form	Rebar in length/straight	S
		Rebar in coil	C
4	Nominal diameter (millimetres or "mm")	less than 12	A
		Greater than or equal to 12 and less than or equal to 16	B
		Greater than 16 and less than or equal to 32	C
		Greater than 32	D
5	Length (metres or "m")	less than or equal to 6	1
		Greater than 6 and less than or equal to 12	2
		Greater than 12	3
		Coil product	C

In its REQ Colakoglu put forward its position that the B and C MCCs relating to the yield strength of straight rebar were not relevant for domestic sales on the basis that the technical production requirements did not have an impact on pricing.

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The verification team analysed the domestic price of straight rebar in yield strength categories B and C and observed there was a difference between the price of rebar. However, the price difference was inconsistent across each quarter of the investigation period and due to the low volume of sales from the C category, the verification team was unable to reliably ascertain if the price difference was driven by the different length or was simply a random outcome.

### **2.3 The goods exported to Australia**

The verification team were satisfied that Colakoglu produced and exported the goods to Australia. Colakoglu exported the goods to Australia with the following models control codes (MCCs) detailed in *Consideration Report No. 495* during the period:

- P-C-S-B-1
- P-C-S-B-2
- P-C-S-C-1
- P-C-S-C-2

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

The verification team were satisfied that Colakoglu sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production, that is, the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same;
- are produced at the same facility, using the same raw material inputs and manufacturing processes;
- compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

Colakoglu sold like goods on the domestic market with the following MCCs detailed in ADN No.2018/175 during the period:

- P-B-S-A-2
- P-B-S-B-2
- P-B-S-B-3
- P-B-S-C-2
- P-B-S-C-3
- P-B-S-D-2
- P-C-S-A-2
- P-C-S-B-2
- P-C-S-C-2
- P-C-S-D-2
- Non-prime mixed lengths in straight form

### **2.5 Model matching**

The verification team considered the following categories when comparing sales of domestic models and export models.

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Category	Characteristics of Category & Rationale for Model Matching	Used in Model Matching
Prime/non-prime	The sales of non-prime products were mixed length rebar in straight form. Colakoglu did not sell the goods in mixed lengths to Australia during the investigation period. The verification team considers that the characteristic of mixed length sales affects price comparability and as such, the verification team has not attempted to model match mixed length domestic products with any export MCC.	Y
Yield strength	The verification team maintains the characteristics of yield strength, form, diameter and length in the MCC structure as they relate to sales and model matching. The verification team did not identify information to suggest that any of these characteristics do not have an effect on price.	Y
Form		Y
Diameter		Y
Length		Y

### 2.6 Like goods – assessment

The verification team considers that the goods produced by Colakoglu for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>3</sup>

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<sup>3</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.



### **3 COST TO MAKE AND SELL (CTMS)**

The verification team examined the cost to make and sell (CTMS) data reported by Colakoglu in its REQ and assessed the reliability and suitability of this data using the approach outlined in section 1.1. The following summarises verification team' finding in relation to the examination.

#### **3.1 Assessment of Cost to Make**

In the Colakoglu REQ it reported separate cost of production figures relevant to the models it sold on the domestic market and those exported to Australia during the investigation period. The verification team's examination of this data revealed that where the same MCC was sold into either market, Colakoglu relied on an identical cost base for the purpose of presenting a unit cost of production. The verification team identified that this approach was similar to other exporters whose production cost data was subject to verification and on this basis the approach adopted by Colakoglu is considered acceptable. As a result the verification team were not required to undertake a separate examination of the domestic and Australian cost to make reported by Colakoglu in its REQ.

Being satisfied with the preparation of the CTM data reported by Colakoglu, the verification team compared the quarterly and investigation period weighted average unit CTM reported by Colakoglu against the figure reported by the verified exporters. Minor variances were observed between the figures reported by Colakoglu and the verified exporters and these variances were not considered indicative of an underlying error in Colakoglu's costs.

In this investigation and in previous rebar investigations, the Commission established that raw materials in the form of either scrap metal or billet represented a significant proportion of the total cost of production. Having regard to this key production cost driver, the verification team compared the scrap and billet materials costs reported by Colakoglu against the same kind of costs reported by the verified exporters. Although variance between each data set was observed, the verification team were satisfied that the data reported by Colakoglu was within acceptable limits.

In relation to the comparison of the unit raw material cost of production, the verification team further examined the price paid by Colakoglu for its purchase of scrap metal and billet and compared this data to the prices paid by the exporters subject to verification. The verification team observed that the price of scrap metal and billet paid by Colakoglu and all other cooperating exporters were broadly consistent. The verification team further observed that cost of scrap metal and billet reported by Colakoglu in its CTM was indicative of the prices it paid for these materials.

Having regard to the above, the verification team considers that the CTM reported by Colakoglu is reliable and likely suitable for determining the variable factors relevant to the exports of the goods to Australia by Colakoglu.

#### **3.2 Assessment of Indirect Selling, General, and Administration Costs (SG&A)**

In Confidential Appendix G-4.1 of its REQ, Colakoglu listed all of the accounts it considered might be relevant for the calculation of indirect selling, general and administration costs (SG&A). Direct selling expenses were also reported in Confidential Appendix G-4.1, these costs are also reported in the Australian and domestic sales listings submitted at Confidential Appendix B-2 and D-4 of the REQ, and were considered in the verification of the data reported in those particular appendices.

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In Appendix G-4.1 of its REQ Colakoglu listed all of the accounts it considered might be relevant for the calculation of indirect selling, general and administration costs (SG&A). The verification team identified 29 accounts that related to gains and losses on foreign exchange rates. The verification team was unable to reasonably determine whether the gains and losses on foreign exchange reported by Colakoglu directly related to the sale of the goods. As a result these accounts were excluded from Colakoglu SG&A cost calculations. After further examination, two additional accounts were excluded on the basis that these accounts involved a net decrease in the SG&A indirect cost base and did not generally appear to relate to the sale of any goods produced by Colakoglu. The approach taken in relation to the data provided by Colakoglu is considered appropriate on the basis that similar findings have occurred in relation to the other exporters in this investigation who were subject to verification. The treatment of Colakoglu does not therefore result in its circumstances, in relation to SG&A cost, being different to any other cooperating exporter.

After excluding amounts relating to gains and losses on foreign exchange the verification team calculated a revised weighted average unit indirect SG&A cost for the domestic sales of each like goods model and compared this to the results calculated for the verified exporters in the investigation. The results of the verification team's comparison identified in some cases distinct differences between the SG&A costs determined for each exporter examined however in practical terms these were not considered material and could be explained when the circumstances relevant to each exporter's SG&A costs were further examined.

In addition, the verification team also had regard to the preparation of the data provided by Colakoglu in relation to its indirect SG&A costs and whether this contained any errors. The preparation of the data reported by Colakoglu was consistent with the approach taken by other verified exporters and did not contain any errors.

As a result, the verification teams considers that the indirect SG&A cost applicable to domestic sales of like goods by Colakoglu is appropriate.

### **3.3 Cost to Make and Sell – Summary**

The verification team is satisfied that the cost to make and sell data provided in the exporter questionnaire response by Colakoglu is reliable for the purpose of ascertaining the variable factors relevant to its exports to Australia.

The verification team's preliminary CTMS calculations are contained in **Confidential Appendix 2**.

## **4 EXPORT PRICE**

### **4.1 The Importer**

Having regard to the Australian sales listing provided by Colakoglu at Confidential Appendix B2 of its REQ, the verification team identified its Australia customers of the goods. Relying on the available information in this investigation, the verification team were satisfied that Colakoglu was not related to its Australian customer. In relation to the goods exported by Colakoglu to Australia, the verification team therefore considers that the Australian customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore the importers of the goods.

### **4.2 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.

With regards to the role of Colakoglu in its Australian sales, the verification team notes that Colakoglu:

- manufactured the goods to Australian standards;
- negotiated directly with customers, including the Australian importer; and
- arranged inland transport of the goods to the port of export, knowingly placing the goods in the hands of a carrier, for delivery to Australia.

Based on these roles, the verification team are satisfied that Colakoglu is the exporter of the goods.

### **4.3 Assessment of Export Sales Data**

Having regard to the approach outlined at section 1.1., the verification team compared the quarterly weighted average and period of investigation FOB export price in Turkish Lira (TRY) determined for Colakoglu against the export prices calculated for other verified exporters cooperating with the investigation. The verification team observed low variance between prices in the two quarters of the investigation period in which Colakoglu had Australian sales.

The verification team established that the FOB price for all cooperating exporters from Turkey was invoiced in US dollars (USD). The verification team also observed that during the investigation period that the Turkish Lira (TRY) and USD exchange rate exhibited significant fluctuation, particularly in the September 2018 quarter. Since the verification team's comparison of export prices was carried out in TRY, the resulting differences between exporters may be partly explained by the timing of each exporters exports and the corresponding exchange used to convert the value of those exports from USD to TRY.

Having regard to the daily exchange rates published by the Turkish Central Bank (TCB) the verification also observed that the exchange rate relied on by Colakoglu to determine the FOB export price in local currency did not reference the exchange rate relevant to the invoice date. The verification team revised the export sales listing by annotating the listing with the exchange rates relevant to the date on the invoice for sale of the goods to the Australian importer. The invoice date

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is considered to be the date that best reflects the material terms of the sale<sup>4</sup> and therefore the exchange rate applicable for converting the export price into the exporter's domestic currency should reflect the exchange rate relevant to invoice date.

Setting aside the comparison of export prices, the verification team also sought to conduct a basic reconciliation of its Australian export sales to financial records and review whether any outliers existed with respect to unit export prices. The verification team did not identify any outliers and was able to reconcile the export sales value and volume to the financial records supplied by Colakoglu in its REQ. However, upon examination of export invoices, the verification team identified that the price recorded by Colakoglu was the price between COTAS and the Australian customer. Colakoglu submitted a revised REQ attachment B-2 which included the invoice amounts for transactions between Colakoglu and COTAS.

Information examined as part of the importer verification process also provided the verification team with an additional avenue of comparison which similarly did not result in any issues being identified.

Based on the above assessment, the verification team considers that the data provided by Colakoglu in relation to its Australian exports sales provides an acceptable basis for determining the variable factors relevant to its exports of the goods to Australia.

### 4.4 Arms Length

In respect of Australian sales of the goods by Colakoglu during the period, and having regard to the available information, 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.<sup>5</sup>

The verification team therefore considers that all export sales to Australia made by Colakoglu through COTAS during the period were arms length transactions.

### 4.5 Export Price – Assessment

In respect of Australian sales of the goods by Colakoglu the verification team recommends that the export price be cannot be determined under paragraph 269TAB(1)(a) or 269TAB(1)(b). The verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically, the verification team considers the appropriate method of calculating the FOB export price as the price paid by the related trading company (COTAS) to Colakoglu, less relevant CFR costs incurred by Colakoglu.<sup>6</sup>

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

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<sup>4</sup> Anti-Dumping Commission *Dumping and Subsidy Manual*, Section 14.3, p.62

<sup>5</sup> Section 269TAA of the Act refers.

<sup>6</sup> Anti-Dumping Commission – *Dumping and Subsidy Manual* (November, 2018), p. 30, "Where an intermediary is involved the export price, for the purposes of calculating a dumping or subsidy margin, will be the price received by that exporter when selling to the intermediary (even if the intermediary is in the same country as the exporter)".

## 5 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

### 5.1 Assessment of domestic sales data

Having regard to the approach outlined at section 1.1., the verification team compared the quarterly weighted average and period of investigation domestic selling prices for Colakoglu against the domestic selling prices calculated for other verified exporters cooperating with the investigation. The verification team observed an acceptable variance between the domestic prices for the goods sold by Colakoglu and the median domestic selling price observed for the exporters cooperating with the investigation period. The comparison of the weighted average prices for the period of investigation was observed to be similar to the quarterly comparison.

Setting aside the comparison of domestic prices, the verification team also sought to conduct a basic reconciliation of its domestic sales to financial records and review whether any outliers existed with respect to unit domestic prices. The verification team did not identify any outliers and was able to reconcile the domestic sales value and volume to the financial records supplied by Colakoglu in its REQ.

Based on the above assessment, the verification team considers that the data provided by Colakoglu in relation to its domestic sales of like goods provides an acceptable basis for determining the variable factors relevant to its exports of the goods to Australia.

### 5.2 Arms length

Having regard to the relevant information available in respect of the domestic sales of the goods made by Colakoglu 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 not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

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

### 5.3 Ordinary course of trade

Section 269TAAD 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 like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent 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 investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

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The results of the verification team's testing of OCOT are as follows.

Number of Models	Number of Models with Sales in OCOT
11	11

### 5.4 Suitability of domestic sales

Section 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 percent of the total volume of the goods under consideration that are exported to Australia.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is detailed below.

Export MCCs	Sufficient sales of identical model sold on the domestic market	Surrogate model identified	Specification adjustment able to be calculated
P-C-S-B-1	No	P-B-S-B-2	No
P-C-S-B-2	Yes	N/A	N/A
P-C-S-C-1	No	P-C-S-C-2	No
P-C-S-C-2	Yes	N/A	N/A

Whilst there were sufficient overall sales for export models P-C-S-B-2 and P-C-S-C-2 in the domestic market, there were not sufficient sales in quarters with matching export sales to permit a proper comparison. Therefore the verification team has concluded that the available information was not suitable to allow the normal value for these models to be calculated under section 269TAC(1) by applying adjustments to account for specification differences.

Due to this, the verification team recommends constructing the normal value of these two models under subsection 269TAC(2)(c), using costs to make the goods exported to Australia, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

### 5.5 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 has calculated an amount of profit based on the production and sale of like goods by Colakoglu on the domestic market in the OCOT, in accordance with subsection 45(2) of the *Customs (International Obligations) Regulation 2015*.

### 5.6 Domestic sales summary

The verification team considers that domestic sales during the investigation period can be used for assessing profitability of sales in OCOT for the purposes of constructing a normal value in accordance with subsection 269TAC(2)(c).

The domestic sales listing, ordinary course of trade test and profitability calculation are contained in **Confidential Appendix 3**.

## 6 ADJUSTMENTS

### 6.1 Rationale and methodology

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(8) and where applicable subsection 269TAC(9).

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
<b>Credit expense (domestic and export)</b>	<p>Colakoglu had different payment terms between domestic and export sales. For domestic sales, Colakoglu's payment terms varied from sale-to-sale. As a result, the verification team has applied the weighted average of all credit expenses as a downward adjustment to the domestic sales.</p> <p>For export sales to Australia, all sales had identical payment terms. Based on the nature of these payment terms no upwards adjustment is considered necessary to the normal value.</p>	Weighted average expense incurred for all domestic sales	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-1 and related confidential attachments</li> </ul>	Yes
<b>Packaging (domestic and export)</b>	The packaging for goods exported to Australia incur additional costs to rebar sold on the domestic market	<p>Total packaging relating to domestic and export sales was allocated across all relevant products.</p> <p>For export packaging costs, the total export-specific packaging costs were also allocated across the total of all exports.</p>	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-2 and related confidential attachments</li> </ul>	Yes
<b>Inland transport (domestic and export)</b>	<p>The verification team considers that an adjustment for domestic inland transport does not need to be made under 269TAC(9).</p> <p>All inland transport expenses incurred for Australian sales are reported on a transaction specific basis.</p>	<p>Adjustment not made for domestic sales</p> <p>Weighted average expense incurred for all Australian sales</p>	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-3 and related confidential attachments</li> </ul>	Yes



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<b>Adjustment Type</b>	<b>Rationale for Adjustment</b>	<b>Calculation Methodology</b>	<b>Evidence</b>	<b>Claimed in REQ?</b>
<b>Billing adjustments (domestic)</b>	The verification team considers that an adjustment for billing does not need to be made under 269TAC(9).	Adjustment not made	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-4.3 and related confidential attachment</li> </ul>	Yes
<b>Exporter association fee (export)</b>	Colakoglu incurred export association fees in relation to all of its Australian sales.	Weighted average expense incurred for all Australian sales	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-4.4</li> </ul>	Yes
<b>Survey fees (export)</b>	Colakoglu incurred inspection fees in relation to all of its Australian sales.	Weighted average expense incurred for all Australian sales	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-4.4</li> </ul>	Yes
<b>Loading (export)</b>	Colakoglu incurred loading fees in relation to all of its Australian sales.	Weighted average expense incurred for all Australian sales	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-3.4 and related confidential attachments</li> </ul>	Yes
<b>Inventory carrying cost</b>	<p>In its REQ, Colakoglu stated that it does produce goods for inventory in relation to domestic sales, and therefore considers an allowable adjustment for the inventory carrying cost of goods produced for domestic inventory.</p> <p>Colakoglu did not provide any supporting information to quantify any impact of inventory carrying costs which would affect the fair comparison of export price to the normal value of the goods.</p>	Adjustment not made	<ul style="list-style-type: none"> <li>Colakoglu REQ section E-5 and related confidential attachment</li> </ul>	Yes



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Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
<p><b>Inward Processing Regime – Duty Drawback</b></p>	<p>In its REQ, Colakoglu claimed that a duty drawback adjustment is necessary in order to ensure a fair comparison between export and domestic prices. Colakoglu reported that during the investigation, it imported billets and made exports under the Turkish Inward Processing Regime (IPR), which provides exemption from import duties and import taxes under certain conditions.</p> <p>It further stated that this duty drawback adjustment would represent the amount of duties that Colakoglu would have to pay if the product had been sold in the domestic market rather than in the export market.</p> <p>It is considered that import charges are a form of taxation and the adjustment for drawback of customs duty implements the requirement for an adjustment where price comparability is affected due to differences in taxation.<sup>7</sup></p> <p>The verification team’s examined the use of the IPR by Colakoglu during the investigation period and is satisfied that Colakoglu did not pay import duties in relation to these imports. The verification team also established that Colakoglu did not pay duties on its imports of scrap metal, which is used to produce billet in its own billet making facilities. Billets produced from imported duty free scrap were also used to make rebar sold in the exporter’s domestic market.</p> <p>The verification team is therefore satisfied that price comparability of exports was not affected due to differences in taxation for like goods sold on the domestic market.</p>	<p>Adjustment not made</p>	<ul style="list-style-type: none"> <li>• Government of Turkey Response to Government Questionnaire</li> <li>• Verified REQs from Kroman Celik and Diler</li> <li>• Kroman Celik and Diler Verification Visit Reports</li> <li>• Colakoglu REQ Section E-4 and related confidential attachments</li> </ul>	<p>Yes</p>

<sup>7</sup> Anti-Dumping Commission – Dumping and Subsidy Manual (November, 2018), p. 69.

## 6.2 Adjustments

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit expense	<b>Deduct</b> domestic credit costs under subsection 269TAC(9)
Domestic packaging	<b>Deduct</b> domestic packaging under subsection 269TAC(9)
Export packaging	<b>Add</b> export packaging under subsection 269TAC(9)
Export inland transport	<b>Add</b> export inland transport under subsection 269TAC(9)
Export loading	<b>Add</b> export loading under subsection 269TAC(9)
Exporters' Association fees	<b>Add</b> exporters' association fees under subsection 269TAC(9)
Export survey fees	<b>Add</b> export survey fees under subsection 269TAC(9)

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

## 7 NORMAL VALUE

In section 5.4 the verification found that there were no suitable models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT.

The verification team is therefore satisfied that because of the absence, or low volume, of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a normal value, the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1).

The verification team has therefore calculated a preliminary normal value under subsection 269TAC(2)(c) based on Colakoglu's:

- cost of production of the goods; and
- the selling, general and administrative costs that would be incurred on the assumption that the exported good is sold on the domestic market;
- and an amount for profit.

In using a constructed normal value, the verification team has made certain adjustments as considered necessary, in accordance with subsection 269TAC(9), to ensure that the fair comparison of normal values with export prices.

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

## 8 DUMPING MARGIN

### 8.1 Short term currency fluctuation

In its application, Liberty OneSteel (Newcastle) Pty Ltd (the applicant) highlighted the fluctuations it observed in the Turkish Lira (TRY) and US dollar (USD) exchange rate.<sup>8</sup> The applicant argued that the Commission should apply the provisions of subsection 269TAF(3) of the Act to address what it considers to be short-term currency fluctuations between the TRY and USD.

The applicant referred to the Commission's approach in *Investigation 240* where the Commission applied the following method to eliminate short-term fluctuations in currency:

- an eight week moving average for the exporter's currency against the USD was established for the investigation period;
- daily actual rates were compared to the 8 week moving average and a daily variance benchmark was established; and
- where the actual daily rate varied from the benchmark rate by more than two and a quarter per cent the actual daily rate was classified as fluctuating.

This issue is currently being considered by the case team and may impact on the dumping margin. Whilst this issue is being considered, the verification team has not published a dumping margin.

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<sup>8</sup> Liberty OneSteel (Newcastle) Pty Ltd, section B-5.1.5, Case 495 Public Record Item No.002

## 9 SUBSIDIES

In its REQ, Colakoglu reported receiving benefits under the following subsidy programs identified by the Commission in *Consideration Report No.495* (CON 495);

- Program 8 – Exemption from property tax;
- Program 10 – Import duty rebates/drawbacks under Article 22 of Turkey’s Domestic Processing Regime (RDP) resolution 2005/839 (RDP duty drawback program);
- Program 12 – Inward processing certificate exemption program;
- Program 22 – Assistance to offset costs related to AD/CVD investigations.

Colakoglu also identified receiving benefits under the following programs which were not accounted for the in the exporter questionnaire or named in *CON 495*.

- Support on subscribing to e-trade websites
- Support and stability fund for participating in trade fairs abroad;
- Minimum wage support;
- Employment of handicapped staff;
- Employment of the Unemployed; and
- 5% deduction of employer’s share of social security premiums under Law 5510
- Turkish Employers' Association of Metal Industries (MESS) Assistance

The verification team examined the information provided by Colakoglu with respect to these reported programs. The verification team also had regard to the questionnaire responses from the Government of Turkey (GoT)<sup>9</sup> and other cooperating exporters and the Commission’s verification findings of these exporters. The verification team compared the findings in relation to the other cooperating exporters to the information provided by Colakoglu and where practical to do so conducted further analysis. The verification team’s findings are outlined below.

### 9.1 Program 1 - Natural gas for LTAR

Colakoglu reported in H-2.2 of its REQ that it did not make any purchases of natural gas from a State Owned Enterprise (SOE) or State Invested Enterprise (SIE) during the investigation period. The verification team examined the listing of natural gas purchases by Colakoglu during the investigation period and compared these to the relevant accounts in its financial records against a selection of supplier invoices and the data provided by other exporters where it was established they had not sourced natural gas from an SOE or an SIE. The verification team was satisfied that Colakoglu’s suppliers of natural gas were not an SOE or SIE. As a result, Program 1 is not considered applicable to Colakoglu.

### 9.2 Program 2 - Land for LTAR

Colakoglu reported in H-3.7a of its REQ that it had a building located in Dilovasi Organised Industrial Zone (OIZ). In the GoT response to government questionnaire (RGQ), it advised that this program is applicable to provinces stipulated in clause (b) of Article 2 of Law No. 5084 (GoT RGQ Exhibits

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<sup>9</sup> EPR 013

1-19 (of 37)<sup>10</sup> p.205-206). The Dilovasi OIZ is not located within any of the provinces stipulated in Article 2 of Law No. 5084. As a result, Program 2 is not considered applicable to Colakoglu.

### **9.3 Program 3 - Electricity for LTAR**

Colakoglu reported in H-2.7 of its REQ that it only purchased electricity used in the production of rebar from privately owned enterprises during the investigation period. To support its response Colakoglu provided the verification team documents relating to the ownership of its electricity suppliers. The verification team examined the listing of electricity purchases by Colakoglu during the investigation period and compared these to the relevant accounts in its financial records and against a selection of supplier invoices. The verification team was satisfied that the electric companies which supplied Colakoglu were privately owned and Program 3 is not considered to apply.

### **9.4 Program 4 - Provision of lignite for LTAR**

Colakoglu reported in H-2.1, H-2.10, and H-2.11 of its REQ that it generated electricity using coal fired power, however the coal used in its power plants was steam coal and not lignite coal. The verification team was unable to find any evidence to substantiate this claim, however in the GoT RGQ it its state owned supplier, Turkish Coal Enterprises (TKI), did not report that Colakoglu purchased lignite during the investigation period. Having regard to the response from the GoT the verification team did not seek further information from Colakoglu in relation to this program. Relying on the GoT's response, the verification team considers that Program 4 does not apply to Colakoglu.

### **9.5 Program 5 - Deductions from taxable income for export revenue**

Although Colakoglu did not report that it received a benefit from this program in its REQ, it was reported by the two on-site verified exporters, Korman Celik and Diler. The verification team examined Colakoglu's 2017 financial year tax return and is satisfied that Colakoglu did not make any deductions in relation to this program. The verification team also examined the 2017 financial year corporate tax returns for COTAS and is satisfied that COTAS also did not make any deductions in relation to this program. As a result, Program 5 is not considered applicable to Colakoglu.

### **9.6 Program 6 - Research and development (R&D) income tax deduction**

Although Colakoglu did not report that it received a benefit from this program in its REQ, it was reported by one of the on-site verified exporters, Korman Celik. The verification team examined Colakoglu's 2017 financial year corporate tax return and is satisfied that Colakoglu did not make any deductions in relation to this program. The verification team also examined the 2017 financial year corporate tax returns for COTAS and is satisfied that COTAS also did not make any deductions in relation to this program. As a result, Program 6 is not considered applicable to Colakoglu.

### **9.7 Program 8 - Exemption from property tax**

Colakoglu reported in H-3.1 of its REQ that it received a benefit under this program. Colakoglu reported receiving the benefit through an exemption of property taxes on a building located in Dilovasi Organised Industrial Zone only in the second instalment of 2017, and all of 2018. As the nature of the program is an exemption, Colakoglu was unable to provide the value of the benefit as it was not recorded in its accounting system. Colakoglu claimed that the tax paid for the first

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<sup>10</sup> EPR 013

instalment of 2017 could be used to determine the benefit during the POI. The verification team is satisfied with this reasoning, and considers that Program 8 is applicable to Colakoglu and that it received a benefit under this program.

## **9.8 Program 10 & 12 – RDP (Domestic Processing Regime) duty exemption**

Colakoglu reported in H-4 of its REQ that it utilised Program 12 – Inward Processing Regime Program. It also noted that this program is stipulated by Resolution No. 2005/839 (Program 10). This response is consistent with the on-site verified exporters and the GoT, thus the verification team considers that these programs are the same.

Colakoglu provided a summary of its imported goods, and evidence of its use of the Inward Processing Regime (IPR). The verification team was able to verify the accuracy of the provided summary using the provided evidence. The verification team was satisfied that the volume of goods imported under the inward processing certificate (IPC) relevant to the IPR had been fully offset by an equivalent volume of exported finished goods less allowable differences relating to yield loss.

At H-4.1 to its REQ Colakoglu notes that Turkey's IPR is compliant with the World Trade Organisation Subsidies and Countervailing Measures Agreement which renders this program as non-countervailable.

The verification team noted Colakoglu's position and for the purpose of this report, the verification team has concluded that a benefit under Program 10 or 12 has not been conferred. However, a final finding regarding these programs be communicated by the Commission in due course.

## **9.9 Program 11 - Investment encouragement program – VAT and import duty exemptions**

Colakoglu reported in H-4 that it did not receive a benefit from this program.

The GoT states that the VAT and import duty exemptions fall under the General Investment Incentive Scheme. The GOT stated that none of the exporters under investigation benefited from the General Investment Incentive Scheme during the investigation period.

Having regard to the response from the GOT the verification team did not seek further information from Colakoglu in relation to this program. The verification team considers that Program 11 is not applicable to Colakoglu.

## **9.10 Program 17 - Rediscount program**

Colakoglu reported in H-5.2 of its REQ that it did receive a benefit from this program, however this was outside the POI. Colakoglu provided a list of current loans which have not been fully reimbursed during the POI which the verification team examined. None of the provided loans were to a state owned bank. The GoT did not report that Colakoglu received a benefit under this program. The verification team considers that Program 17 is not applicable to Colakoglu.

## **9.11 Program 21 - Industrial R&D projects grant program**

Colakoglu reported in H-6.1 of its REQ that it did not use this program during the investigation period, or the two years preceding. Amongst the on-site verified exporters from Turkey, Kroman Celik reported receiving grants under this program. This program was found in the on-site verification to be jointly administered by the Turkish Ministry of Finance, and government entity Tubitak (Scientific and Technological Research Council of Turkey) pursuant to the; Law on

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Supporting Research and Development Activities dated 28/2/2008 and numbered 5746; and Application and Inspection Directive for Supporting Research and Development Activities published on the Official Gazette dated 31/7/2008 and numbered 26953.

The payment of the grants to Kroman Celik by Tubitak were identified in the non-operating income ledger. The verification team undertook a similar analysis of the non-operating income ledger provided by Colakoglu and did not identify any payment received from Tubitak. The verification team considers that Program 21 is not applicable to Colakoglu.

### **9.12 Program 22 - Assistance to offset costs related to AD/CVD investigations**

Colakoglu reported in H-7.1 of its REQ that it received a benefit under this program, however it stated that this program is offered through the Turkish Steel Exporter's Association (TSEA) and is not a government sponsored program. This program is made available through the TSEA, however participation in this association is mandated through Article 4(1) of Law. 5910 in which exporters are obliged to be a member of the related association. The verification team considers that this means that although the TSEA is a private association and funded privately through its members, it is still a private body directed to carry out a government function.

The verification team examined the provided non-operating income ledger and correspondence with the TSEA and was able to confirm that a benefit was received under this program. The verification team also examined the accounts for COTAS and did not find any evidence of receiving a benefit under this program. From the provided evidence, Colakoglu received a benefit under this program, however, Colakoglu stated that is benefit was only in regards to an anti-dumping case relating to hot-rolled steel exports to the US.

The verification team considers that Program 22 is not applicable to the goods Colakoglu exported to Australia during the investigation period.

### **9.13 Other programs**

In relation to the following programs, Colakoglu disclosed it had received a benefit. Similar to the above, these programs are additional other programs identified by either exporters or the GoT in its RGQ after publication of CON 495:

- Support and Stability Fund for participating in trade fairs in abroad
- Support on subscribing to e-trade websites
- Minimum Wage Support
- Employment of Handicapped Staff
- Employment of Unemployed
- Employment of Additional Employee
- Turkish Employers' Association of Metal Industries (MESS) Assistance.

In relation to the assistance provided by MESS, Colakoglu stated in its REQ at H-9.2 that MESS was not a government authority. Colakoglu also put forward that the other programs listed above are available to all enterprises in Turkey and therefore not specific. These programs will be further assessed by the case management team.

Listed below are additional other programs identified by either exporters or the GoT in its RGQ after publication of CON 495. Where sufficient information was available, the verification team also examined whether Colakoglu had received a benefit. At the time of preparing this report the verification team was satisfied that no benefits in relation to these programs were received by



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Colakoglu, however, the case management team will further evaluate the programs as part of the investigation process generally:

- Export-Oriented Working Capital Credit Program
- Export Credit Insurance Program

### 9.14 Preliminary subsidy finding

The verification team found that Colakoglu received a benefit in relation to the following programs;

- Program 8 - Exemption from property tax
- Support on subscribing to e-trade websites

On the basis that the case management team finds these programs to be countervailable subsidies, the verification team has calculated a preliminary subsidy margin for Colakoglu during the investigation period to be **0.01 per cent** at **Confidential Appendix 6**. Additional programs where the exporter has reported receiving a benefit will be subject to further assessment by the case management team.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

**10 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export Price
<b>Confidential Appendix 2</b>	Cost to Make and Sell
<b>Confidential Appendix 3</b>	Domestic Sales
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin (not provided)
<b>Confidential Appendix 6</b>	Subsidy Calculations
<b>Confidential Attachment 1</b>	Benchmark Verification Work Program