



Exporter Benchmark Verification Report

Verification & Case Details

Initiation Date	19 October 2018	ADN:	2019/175
Case:	Steel Reinforcing Bars – Investigation – The Republic of Turkey		
Case Number	495		
Exporter	Habaş Sinai ve Tibbi Gazlar İstihsal Endüstrisi A.Ş.		
Location	Turkey		
Investigation Period	1 October 2017	to	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 14 January 2019, Habaş Sinai ve Tibbi Gazlar İstihsal Endüstrisi A.Ş. (Habas) 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 Habas was lodged within the legislated timeframe and considered complete and free of material deficiencies.

Whilst Habas 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 Habas 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 visit¹;
- the sales and cost data and the variable factors ascertained for other cooperating exporters whose data was not the subject of a verification visit;
- the Government of Turkey (GoT) response to government questionnaire (RGQ); and
- relevant information from previous investigations which involved Habas (Investigation No. 264 (INV 264) refers).

Where the examination of the data in the Habas 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 Habas 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 Habas during the investigation period.

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

1.2 Corporate Structure and Ownership

Habas is a privately owned company that principally engages in the manufacture, distribution and sale of steel products, industrial gases and electricity. Within the broad Habas group of companies are entities involved in the industrial gas and steel, shipping, banking and finance and automotive industries. Operationally, Habas is divided into business segments that include the manufacture of industrial gases, steel products (which includes the manufacture of rebar and wire rod) and electricity. Habas also operates a port near its production facilities to facilitate trade.

¹ 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 xxx and xxx.

1.3 Related Parties

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

1.3.1 Related Customers

In its REQ, Habas stated that it was not related to any of its Australian or domestic customers during the investigation period. These statements are consistent with statements made in INV 264. The verification team did not find any evidence to suggest that Habas was related to its Australian or domestic customers.

1.3.2 Related Suppliers

In its REQ, Habas stated that it sourced various goods and services, including scrap metal, from four related companies within the Habas group of companies. The verification team did not find any evidence that Habas was related to other suppliers.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Habas reported in their REQ that they had one meltshop containing two electric arc furnaces and four rolling mills. Habas also stated that they have a hot rolling mill in which they produce flat hot rolled steel in coil and cut to lengths forms, the majority of which are not the goods under consideration.

The verification team examined the limited information on the production process provided by Habas in its REQ and gathered further information from their company website. The verification team understand that Habas has production processes similar to those of the verified exporters from Turkey. In general terms, the production process is as follows:

- In Habas's meltshop, scrap is melted at high temperatures in one of the two EAFs to produce molten metal.
- The molten metal is then chemically adjusted in a ladle furnace, cast and cut into square section billets and slabs (which are used for goods that are not the subject of this investigation) in continuous casting machines. These billets are intermediate products which are generally further processed into rebar or sold to third parties.
- In Habas's rolling mills, billet from the meltshop or other sources are reheated.
- The heated billet then pass through a series of rotating cylinders where it gradually reduces in size and changes shape from a square section to a circular section.
- The rolls on the final (finishing) stand have a rib profile machined into them so that when the circular section passed through the rolls, deformations (or ribs) are formed on the bar which will provide gripping power so that concrete adheres to the bar and provides reinforcing value.
- After the final stand, deformed rod is looped into rings, laid on a conveyor belt and the cooled rings are then formed into a coil. Alternatively, the deformed rod is cut into lengths specified by the customer to form rebar in straight form.
- The finished product is then transferred to inventory or packed for shipment.

The verification team observed that Habas holds Australasian Certification Authority for Reinforcing and Structural Steels (ACRS) certification, indicating they are subject to a comparable manufacturing and testing process that is prescribed by ACRS to meet the requirements of the Australian Standard.

2.2 The Goods Exported to Australia

The verification team were satisfied that Habas produced and exported the goods to Australia. Habas exported the goods to Australia with the following models control codes (MCCs) detailed in ADN No.2018/175 during the period:

- P-C-C-A-C
- P-C-C-B-C
- P-C-S-B-1
- P-C-S-B-2
- P-C-S-C-1
- P-C-S-C-2
- P-C-S-D-2

2.3 Like Goods Sold on the Domestic Market

The verification team examined the goods sold by Habas in its domestic market and 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.

Habas sold like goods on the domestic market with the following MCCs as proposed in the initiation notice for the investigation:

- P-A-C-A-C
- P-B-C-A-C
- P-B-C-B-C
- P-B-S-A-2
- P-B-S-B-1
- P-B-S-B-2
- P-B-S-B-3
- P-B-S-C-1
- P-B-S-C-2
- P-B-S-C-3

2.4 Model Matching

The verification team considered the following categories when comparing sales of domestic models and export models. Habas did not sell non-prime products into the Australian or its domestic markets.

Category	Characteristics of Category and Rationale for Model Matching	Used in Model Matching
Prime/non-prime	Habas sold only prime product in its domestic market and to Australia during the investigation period.	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

2.5 Like Goods – Assessment

The verification team considers that the goods produced by Habas 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).²

² 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

The verification team examined the cost to make and sell (CTMS) data reported by Habas 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 of Make

In its REQ Habas 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, Habas 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 Habas 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 Habas in its REQ.

However, to ensure that the costs reported in relation to the models exported to Australia were correctly reported, the verification team compared and contrasted this data to the equivalent models which Habas reported as being relevant to its domestic sales and the available supporting information submitted by Habas in its REQ. The verification team did not identify any issues.

Being satisfied with the preparation of the CTM data reported by Habas, the verification team compared the quarterly and investigation period weighted average unit CTM reported by Habas against the figure reported by the verified exporters. Minor variances were observed between the figures reported by Habas and the verified exporters and these variances were not considered indicative of an underlying error in Habas'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 Habas 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 Habas 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 Habas 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 also observed the price of scrap metal and billet paid by Habas and all other cooperating exporters were broadly consistent. The verification team further observed that cost of scrap metal and billet reported by Habas 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 Habas is reliable and likely suitable for determining the variable factors relevant to the exports of the goods to Australia by Habas.

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

In Appendix G-4.1 of its REQ Habas listed all of the accounts it considered might be relevant for the calculation of indirect selling, general and administration costs (SG&A). Direct selling

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expenses were also reported in Appendix G-4.1 however as they are also reported in the Australian and domestic sales listings submitted at Appendix B-2 and D-4 of the REQ, these costs were considered in the verification of the data reported in those particular appendices.

The verification team's examination of the SG&A accounts relevant to indirect costs resulted in identifying several accounts that related to gains and losses on foreign exchange rates. The verification team were unable to reasonably determine whether the gains and losses on foreign exchange reported by Habas were relevant to the sale of the goods. As a result, the amounts reported in relation to these accounts were excluded from the indirect SG&A cost calculation for Habas. The approach taken in relation to the data provided by Habas 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 Habas 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. As a proportion of the total revenue earned, the levels of indirect SG&A cost for Habas was observed to be different when compared to the values determined for other cooperating exporters examined in the investigation. However, factors unique to each exporter, such as the size of each exporter's total revenue, were found to have an influence on the level of indirect cost allocated to each exporter's sales of domestic like goods.

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

As a result, the verification team considers that the indirect SG&A cost applicable to domestic sales of like goods by Habas 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 Habas 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 Habas at Appendix B2 of its REQ, the verification team identified its Australia customers of the goods. Relying on the available information in this investigation and previous investigations relating to rebar and other imports of traded steel commodities, the verification team were satisfied that Habas was not related to its Australian customers. In relation to the goods exported by Habas 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 Habas in its Australian sales, the verification team notes that Habas:

- manufactured the goods to Australian standards and is listed as the manufacturer on commercial invoices and purchase orders between Habas and Australian importers;
- 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 Habas 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 Habas against the export prices calculated for other verified exporters cooperating with the investigation. The verification team observed low variance between prices in the first three quarters of the investigation period however in the September 2018 quarter, the variance was more pronounced compared to the first three quarters.

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 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 exporter's exports and the corresponding exchange rate 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 Habas 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

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relevant to the date on the invoice for sale of the goods to the Australian importer. The invoice date is considered to be the date that best reflects the material terms of the sale³ 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 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 Habas in its REQ.

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 Habas 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 Habas during the investigation period, and having regarding 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.⁴

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

4.5 Export Price – Assessment

The verification team is satisfied that the goods have been exported to Australia by someone other than the importer, they have been purchased by the importer from the exporter, and the purchase of the goods by the importer was an arms length transaction. The export price has therefore been determined at the FOB level under subsection 269TAB(1)(a).

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

³ Anti-Dumping Commission *Dumping and Subsidy Manual*, Section 14.3, p.62

⁴ Section 269TAA of the Act refers.

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 Habas 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 Habas 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 Habas in its REQ.

Based on the above assessment, the verification team considers that the data provided by Habas 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 Habas 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 Habas to domestic customers during the investigation 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

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each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in OCOT.

The results of the verification teams testing of the ordinary course of trade are as follows.

Number of Models	Number of Models with Sales in OCOT
10	10

5.4 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 per cent 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 differences	Specification adjustment possible?
P-C-C-A-C	No	P-B-C-A-C	Minimum yield strength	The verification team does not have information before it, in relation to either sales or costs information, that would allow it to make reliable specification adjustments for yield strength or diameter (as applicable), in accordance with subsection 269TAC(8).
P-C-C-B-C	No	P-B-C-B-C	Minimum yield strength	
P-C-S-B-1	No	P-B-S-B-1	Minimum yield strength	
P-C-S-B-2	No	P-B-S-B-2	Minimum yield strength	
P-C-S-C-1	No	P-B-S-C-1	Minimum yield strength	
P-C-S-C-2	No	P-B-S-C-2	Minimum yield strength	
P-C-S-D-2	No	P-B-S-C-2	Minimum yield strength, diameter	

For the all seven of the export MCCs there domestic market, there were no sales of identical like goods in the necessary specification yield strength, i.e. category C. In the case of one model, there were no sales of identical like goods in the necessary specification for both yield strength and nominal diameter.

Notwithstanding the absence of identical like goods, the verification team had regard to sales of comparable like goods with sufficient sales volume in OCOT. However, the verification team 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. The verification team therefore recommends constructing the normal value for these 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 Habas on the domestic market in the ordinary course of trade, 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

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).

6.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
Credit expenses (domestic and export)	<p>No adjustment in relation to credit expenses was made on the basis that none were reported by Habas in relation to either of its domestic or Australian sales.</p> <p>The basis for the absence of credit expenses reported by Habas in relation to its Australian sales is consistent with other exporters whose sales were made on a similar basis and have been subject to verification.</p> <p>As a result, no adjustment, particularly downwards, will be applied to the normal value.</p>	Adjustment not made.	<ul style="list-style-type: none"> • Habas REQ Australian sales listing B2 • Habas REQ Domestic sales listing D2 • Habas REQ Section B-1.7 • Habas REQ Section D-1.6 • Habas REQ Section E-1 	N
Packaging (domestic and export)	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 domestic packaging costs, the total domestic-specific packaging costs were allocated across the total of all domestic sales.</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"> • Habas REQ Section B-5.1 and related Exhibit B-5.1 • Habas REQ Section E-2.1 	Y

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Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
Inland transport (domestic and export)	Habas reported that it did not incur inland transport expenses for any of its domestic or Australian sales. The response by Habas at Section E-3.3 of its REQ indicated that it did not incur inland freight expenses to the port of export in relation to its Australian sales. At A-2.7 in its REQ Habas reported that sales to Australia were exported via its related party owned port facilities at Izmir which is located four miles from the rolling mill producing the rebar. Given the proximity of the port of export to the Habas rolling mill the verification team was satisfied that inland transport costs, if any, incurred by Habas in relation to its Australian sales would likely be negligible.	Adjustment not made.	<ul style="list-style-type: none"> • Habas REQ Section A-2.7 • Habas REQ Australian sales listing B2 • Habas REQ Domestic sales listing D2 • Habas REQ Section E-3.1 and E-3.3. 	N
Inventory carrying cost	<p>In its REQ, Habas 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>Habas 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> <p>The treatment of Habas is consistent with the claims made by other exporters cooperating with the investigation.</p>	Adjustment not made.	<ul style="list-style-type: none"> • Habas REQ Section E-1. 	Y
Handling and other (export)	Habas reported handling expenses in relation to certain Australian sales.	Actual expense incurred for relevant consignments.	<ul style="list-style-type: none"> • Habas REQ Section B-1.1 • Habas REQ Australian sales listing B2 • Habas REQ Section B-3.1 • Habas REQ Section B-5.1 and related Exhibit B-5.1 	Y
Exporter association fee (export)	Habas incurred export association fees in relation to all of its Australian sales.	Actual expense incurred for relevant consignments.	<ul style="list-style-type: none"> • Habas REQ Section B-1.1 • Habas REQ Australian sales listing B2 • Habas REQ Section B-3.1 	Y

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Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
			<ul style="list-style-type: none"> Habas REQ Section B-5.1 and related Exhibit B-5.1 	
Surveillance costs (export)	Habas incurred inspection fees in relation to all of its Australian sales.	Actual expense incurred for relevant consignments.	<ul style="list-style-type: none"> Habas REQ Section B-1.1 Habas REQ Australian sales listing B2 Habas REQ Section B-3.1 Habas REQ Section B-5.1 and related Exhibit B-5.1 	Y
Other costs (banks charges)	Habas incurred inspection fees in relation to certain Australian sales.	Actual expense incurred for relevant consignments.	<ul style="list-style-type: none"> Habas REQ Section B-1.1 Habas REQ Australian sales listing B2 Habas REQ Section B-3.1 Habas REQ Section B-5.1 and related Exhibit B-5.1 	Y
Inward Processing Regime – Duty Drawback	<p>In its REQ, Habas claimed that a duty drawback adjustment is necessary in order to ensure a fair comparison between export and domestic prices. Habas 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 Habas 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.⁵</p>	Adjustment not made.	<ul style="list-style-type: none"> Government of Turkey Response to Government Questionnaire (Case 495 EPR Item 013) Verified REQs from Kroman Celik and Diler Kroman Celik and Diler Verification Visit Reports (Case 495 EPR Items 26 and 27). Habas REQ Section E-5.2 related duty drawback calculation worksheet Habas REQ Section H-4 and related attachment and exhibits. 	Y

⁵ Anti-Dumping Commission – Dumping and Subsidy Manual (November, 2018), p. 69.

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Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
	<p>The verification team has examined the use of the IPR by Habas during the investigation period and is satisfied that Habas did not pay import duties in relation to these imports. The verification team also established that Habas 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>			

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6.2 Adjustments

Adjustment Type	Deduction/addition
Domestic packaging	Deduct domestic packaging under subsection 269TAC(9).
Export packaging	Add export packaging under subsection 269TAC(9).
Export handling and other	Add export handling and other under subsection 269TAC(9).
Export exporter association fees	Add export related exporter association fees under subsection 269TAC(9).
Export consignment surveillance expenses	Add export consignment surveillance expenses under subsection 269TAC(9).

The verification team's preliminary adjustment calculations are to be included in normal value calculations at **Confidential Appendix 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 Habas'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.⁶ 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.

⁶ Liberty OneSteel (Newcastle) Pty Ltd, section B-5.1.5, Case 495 Public Record Item No.002

9 SUBSIDIES

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

- Program 5 – Deductions from Taxable Income for Export Revenue;
- Program 12 – Inward Processing Certificate Exemption Program; and
- Program 17 – Rediscount Program.

Habas reported it benefitted from additional programs also identified by the Commission in CON 495, however, Habas was of the view that the benefits received in relation to these programs were not specific as they were applicable to all enterprises in Turkey;

- Social Security Insurance Premium Deductions

Habas further advised that it received benefits from the following programs that had not been identified by the Commission in CON 495;

- Minimum Wage Support;
- Employment of Handicapped Staff;
- Employment of Unemployed;
- Employment of Additional Employee; and,
- Turkish Employers' Association of Metal Industries (MESS) Assistance.

To assess the level of subsidisation Habas has received in relation to its exports of the goods to Australia, the team examined the information provided by Habas in its REQ, the questionnaire response received from the GoT, data submitted by other cooperating exporters and the Commission's verification findings of these exporters. Where practical to do so the verification team has conducted further analysis of the data provided by Habas in relation to programs that other exporters have disclosed as having received a benefit even though Habas did not make such disclosures. The verification team's findings are summarised below.

9.1 Program 1 – Natural Gas for Less than Adequate Remuneration (LTAR)

Habas H-2.2 of its REQ reported its purchases of natural gas from Boru Hatlari ile Petrol Taşıma A.Ş. (BOTAS) which it advised is a state economic enterprise. Habas provided a summary of its natural gas purchases from BOTAS, sample invoices, payment evidence and its contract and purchase agreement. The verification team compared the invoices against the summary and found the summary to be accurate.

The verification team understands that any entity in any industry regardless of its geographical region can purchase natural gas from BOTAS. Using the data provided by Habas, the verification team had regard to the price paid by Habas and a relevant benchmark price to determine whether a benefit had been received. The verification team consider that Habas did receive a benefit under program 1, however given the eligibility criteria established are satisfied that this program is not countervailable.

9.2 Program 2 – Land for LTAR

At H-2.5 of its REQ Habas reported that it does not lease or purchase land use rights from either a SOE or SIE. The verification team understands that the benefit conferred by this program was

via a law which granted operators Government owned land free of charge or at a lower than market rate. The land is commonly located within special industrial zones that are usually clearly marked by way of special entry points, and the address of the operators located in the zone would refer to the name of that zone.⁷ The verification team noted that Habas was not located within a province where such enterprises would be eligible to receive a benefit under this program. Relying on these responses, the verification team are satisfied that Habas did not receive a benefit under this program.

9.3 Program 3 – Electricity for LTAR

At H-2.6 of its REQ Habas reported that it does not source any of its electricity requirements from an SOE or an SIE however it does report generating electricity for use in the production of rebar.

With respect to purchased electricity, Habas advised that it purchased its electricity from privately owned electric providers either directly or indirectly via the electricity market. To support its response, Habas provide the verification team documents relating to the ownership of its electricity providers. The verification team examined the listing of electricity purchases by Habas during the investigation period and compared these to a selection of supplier invoices. The verification team were satisfied that the electricity providers which supplied Habas were privately owned and therefore it is unlikely that Habas received a benefit under this program in relation to these enterprises.

With respect to the electricity Habas generated for its own consumption, the verification team understands that Habas utilises natural gas electrical generation technology. However, as noted in Section 9.1 the verification team has not made a finding regarding whether the purchase of natural gas by Habas from BOTAS would confer a benefit that is a countervailable subsidy. Further, the verification team considers that electricity for LTAR, which in the case of Habas would presumably be the result of the receipt of natural gas for LTAR, would be factored into the calculations relevant to Program 1. On this basis, a benefit conferred in relation to electricity for LTAR would not arise.

9.4 Program 4 – Lignite for LTAR

At H-2.10 of its REQ Habas reported that it did not operate power generation processes that required lignite coal. Habas sourced electricity for use in the production of rebar from a related supplier, which generated electricity using natural gas (Program 1 refers). The verification team was satisfied that neither Habas nor its related supplier uses lignite to produce electricity and therefore Habas did not receive a benefit under this program.

9.5 Program 5 – Deductions from Taxable Income for Export Revenue

In response to H-3.1 and H-3.7 in its REQ Habas reported that it received a benefit in relation to deductions from taxable income for exporter revenue under Article 40 of the Turkish Income Tax Law.

The verification team examination of Habas's corporate tax returns for financial year 2016 and 2017 indicated deductions claimed in relation to this program.

⁷ GoT RGQ Exhibit 10, page 99, 'PROVINCES IN WHICH LAND ALLOCATION PROVIDED (Provinces stipulated in clause (b) of Article 2 of Law No. 5084)' Case 495 EPR Item 013.

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Under Program 5, total deductible expenses are not allowed to exceed more than 0.5 per cent of the foreign exchange revenue. The figures claimed in Habas's tax returns for the periods examined were lower than the maximum allowable 0.5 per cent. Accordingly the verification team was satisfied that Habas received a benefit under this program in the 2017 financial year.

In the 2017 financial year the tax rate applicable to Habas was 20 per cent. Based on the amount claimed and the applicable tax rate, the verification team was able to determine the benefit received under this program.

Having regard to the verification of other cooperating exporters in this investigation, the verification team understands that deductions under Program 5 are only reported in the final end of year tax returns and the 2018 financial year tax return are customarily available by about April 2019. The applicable rate of tax in 2018 is 22 per cent.

In relation to the benefit received that is relevant to the investigation period, the verification team has determined a benefit based on the foreign revenue export sales in the investigation period reported by Habas, the percentage of that revenue claimed as a deduction in Habas 2017 financial year and rate of tax applicable in 2018, i.e. 22 per cent. This approach recognises that the rates applicable to the 2018 tax year, which covers three quarters of the investigation period are the most relevant and relies on Habas's deductions claimed in the most recently completed financial year which was 2017.

9.6 Program 6 – R&D Income Tax Deduction

At H-3.1 and H-3.7 of its REQ Habas advised that it did not receive a benefit in relation to allowable deductions pursuant to the Law on Supporting Research and Development Activities Law No.5746 Article 3. Program 6 is jointly administered by the Turkish Ministry of Finance and government entity Tubitak (Scientific and Technological Research Council of Turkey).

The verification team examined Habas's corporate tax return for financial year 2017 and observed that there were no deductions claimed in relation to Program 6. The verification team was therefore satisfied that Habas did not receive a benefit under this program.

9.7 Program 8 – Exemption from Property Tax

In response to H-3.1 and H-3.7 in its REQ, Habas reported it did not receive a benefit from an exemption from property tax. The verification team understands that Habas is not located within an eligible province. The verification team are satisfied that Habas did not receive a benefit under this program.

9.8 Program 10 – Import duty rebates/drawbacks under Article 22 of Turkey's Domestic Processing Regime (RDP) Resolution 2005/839 (RDP duty drawback program)

The GoT advised that this program is covered under Program No. 12 - *Inward Processing Certificate Exemption Program*. In response to H-4 in its REQ, Habas reported that Programs No. 10 and No. 12 were the same program and that Habas had received a benefit under these programs.

The verification team understands that under Program No. 10, an importer would pay the import duties, charges and value added tax (VAT) at the time of importation and seek a drawback later, whereas under Program No. 12 an importer suspends the payments of import duties, charges and VAT on the basis of a guarantee that the imported goods would be exported as value-added

finished goods. The verification team have reviewed the information provided by Habas and is satisfied that Habas utilised the method relating to the suspension (exemption) of import duty and received a benefit under Program No. 12.

9.9 Program 11 – Investment Encouragement Program VAT and Import Duty Exemption

In response to H-4 of its REQ Habas responded by stating that it has '*regional investment encouragement certificates*' under Program 11 however Habas further stated that these certificates related to '*investments on non-subject merchandise, namely its gas section and port investment*'. Habas concluded that it was not exempted from VAT and import duty in relation to the production of rebar.

In response to H-8.1 and H-8.2 of its REQ regarding Program 25 (Investment Incentive Program), Habas responded by restating that it has '*regional investment encouragement certificates*' however these certificates related to '*investments on non-subject merchandise*'.

Notwithstanding their disclosure in relation to either Program 11 or Program 25, Habas did not provide any evidence with its REQ that could qualify such statements. The verification team therefore sought further information from Habas regarding this program, particularly regarding the above mentioned certificates. In response Habas provided a supplementary response to its REQ.⁸

Referring to the GoT RGQ the verification team understands that exemptions of VAT and import duty on imported goods under Program 11 are an element of Program 25 with both programs operating under the same legislation being the *Customs Duty and VAT Exemptions Council Ministers' Decree 2012/3305*. Program 25 is also labelled as Program 1 in the GoT's *New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures (the notification)*, dated 31 August 2017. In its supplementary response to the verification team queries regarding Program 11, Habas alternatively refers to Program 25. For the purpose of this verification, the further information provided by Habas has been considered relevant to the assessment of Program 25. The verification refers to the discussion regarding to Program 25.

9.10 Program 12 – Inward Processing Certificate Exemption Program

In response to H-4 of its REQ, Habas reported that it had received a benefit under this program using Inward Processing Certificates (IPC) by participating in the Inward Processing Regime (IPR). Habas utilised the category D-1 IPCs for imported raw materials used in finished goods that were eventually exported. Habas provided the value of imported raw materials in relation to the IPCs that were active over the investigation period, as well as extracts from the IPR e-portal system.

Habas explained that they applied for or opened an IPC by entering the products and quantities it intended to export into the online IPC system along with the product and quantity of imports necessary to produce those exports. Once the IPC had been issued by the Ministry of Economy, Habas commenced importation of the raw materials. When the raw materials arrived, the Turkish Customs entered the import information, including the IPC number, into the online Customs Entry Document. When the rebar was exported, the Turkish Customs entered the relevant information,

⁸ Case 495 Public Record Item No.023

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including the IPC number, into the online Customs Exit Declaration. All imports and exports related to a single IPC are linked and able to be monitored by the GoT in the IPR e-portal.

Once the imported volume subject to the IPC was consumed, Habas submitted realised import and export lists to the Ministry of Economy. Once this has been reconciled by the Ministry of Economy, the GoT closed off the IPC confirming that Habas had met its export commitments and was no longer liable for import duties foregone.

Habas provided extracts from the IPR e-portal relating to its imports of raw materials and exports of finished goods relating to the IPCs that were active over the investigation period. The verification examined the data provided and was satisfied that the volume of goods imported under the relevant IPC has been fully offset by an equivalent volume of exported finished goods less allowable yield loss.

Having examined the import data provided by Habas, the verification team were satisfied that Habas did not pay import duties in relation to these imports.

At H-4.1 to its REQ, Habas notes that Turkey's Inward Processing Regime is compliant with World Trade Organization Subsidies and Countervailing Measures Agreement provisions which renders this program as non-countervailable.

The verification team notes Habas's position and for the purpose of this report, the verification team has concluded that a benefit under Program 12 has not been conferred. However, a final finding regarding this program will be communicated by the Commission in due course.

9.11 Program 17 – Rediscount Program

In response to H-5 of its REQ, Habas reported that it had received a benefit under this financing program from the Turkish Eximbank which is a state-owned bank in Turkey. Habas reported all of the loans it obtained from commercial and state-owned banks during the investigation period along with supporting evidence. The verification team compared the information relating to Habas's rediscount loans against the source documents for a sample of loans and observed the figures reported by Habas to be accurate.

In order to calculate a benefit received under this program, the approach adopted in relation to other cooperating exporters involved a comparison of the interest rates for their short-term commercial loans and their interest rates for rediscount loans from the Turkish Eximbank. However, as Habas did not obtain any short-term commercial loan relevant to the investigation period verification team has relied on other available information.

To determine the benefit available to Habas on its rediscount loans the verification team calculated a weighted average interest rate for short-term commercial loans obtained from privately owned Turkish banks by other cooperating exporters who had also received a benefit under this program. The verification team compared this rate against the rate Habas paid on its rediscount loans from Turkish Eximbank for each loan over the investigation period. The benefit received under this program has been calculated by working out difference between the interest payable to the Eximbank and the interest payable using the benchmark rate.

9.12 Program 25 – Investment Incentive Program

In its supplementary REQ Habas reported receiving benefits under Program 25 in the form of certificates which have exempted the payment of VAT and import duty for machinery and

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equipment imported by Habas.⁹ At A-2.7 of its initial REQ¹⁰ and on its website, Habas provides information that outlines its port facilities are used to support its steel business. The verification team's examination of the documentation relevant Program 25 indicated that Habas benefits from a reduction of corporate tax and exemptions from payment of VAT and customs duty on imported machinery. The certificate relevant to the investigation period was issued by the Turkish government in October 2017. The certificate covered eligible investments made from mid 2017 onwards. The certificate is valid for a period of 4 years.

In addition, the verification team considered the part of Habas's response at A-2.7 which refers to granting of certificates for its industrial gas division. The Program 25 documentation also provided data regarding the certificate granted to the industrial gas division. As a result of the Commission's conduct of other cases relating to the production of steel products, the verification team understands that industrial gases such as those mentioned in the Habas REQ are consumed in the production of steel. Whilst Habas has stated the certificate it received conferred a benefit in relation to its industrial gas division, the available information provided by Habas does not support that the benefit was necessarily isolated to the activities that this particular division undertakes.

Further, the benefits received in relation to the industrial gas division, and the port operations, whilst separately identified by the relevant investment certificate number, are aggregated on the Habas 2017 financial year tax return where the calculated corporate tax amount is reported. Also, the certificate data provided in relation to the industrial gas division does not specify whether this certificate was valid during the investigation period. On the basis of the investment commencement date and the data provided about the port facility investment, it is likely that the certificate relating to the industrial gas division is also still valid. The verification team considers it reasonable that the benefit received in relation to the industrial gas division has been conferred in part to the production and sale of rebar through the production of steel billets manufactured in Habas's meltshop operations.

To work out the benefit received in relation to exemptions of VAT and customs duty on imported machinery the subject of the certificate the verification team had regard to the details provided on the certificates, purchasing data, import declaration and product information. The verification team worked out the value of the benefit received by calculating the revenue foregone to the Turkish government based on the declared import value of the goods and the applicable rates of VAT were applicable and import tariff. The imports of the goods were duty free based on country of origin however were subject to a VAT rate of 18 per cent had the exemption not been granted. The verification team has attributed the benefit to all sales reported by Habas.

To work out the benefit received in relation to the reduction of corporate tax, the verification had regard to Habas's 2017 financial year tax return which reported the value of the allowable deduction made in relation to approved investment covered by the two certificates which were valid at the time, i.e. industrial gases and port facility investments. Since this financial year covers only one quarter of the investigation period, i.e. December 2017, the verification team considers that only 25 per cent of the deduction is relevant. However, as the 2018 financial year tax returns were not available at the time of preparing this report the verification team has worked out the benefit received in the period 1 January 2018 to 30 September 2018 being 75 per cent of the amount claimed in the 2017 financial year. The benefit conferred in relation to the port facility has

⁹ Case 495 Public Record Item No.023

¹⁰ Case 495 Public Record Item No.008

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been attributed based on the value of turnover reported in relation to the steel business division at Confidential Appendix H-1 of Habas's REQ. The approach is considered appropriate on the basis that the port is exclusively utilised by this particular division to support its activities. The benefit conferred in relation to the industrial gas division has been worked out by having regard to all company turnover.

9.13 Other Programs

On the basis that other exporters had been found to have received a benefit in relation to the following programs, the verification team also examined the available information in relation to Habas to ascertain whether it has also received a benefit. The verification team was satisfied that no benefits in relation to these programs were received by Habas:

- Program 21 – Industrial R&D Projects Grant Program
- Program 22 – Assistance to Offset Costs Related to AD/CVD Investigations
- Program 23 – Social Security Premium Support (Employer's Share)

In relation to the following programs, Habas 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:

- 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, Habas has stated in its REQ at H-9.2 that MESS was not a government authority the assistance received from MESS cannot be deemed as a subsidy as there is no involvement of any government authority. Although it does not provide any specific details, Habas also cited the US Department of Commerce which it asserts also found that MESS was not a government authority. Habas also put forward that the other programs listed above are available to all enterprises in Turkey and therefore not specific. On this basis Habas considered that these programs would not be countervailable. 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 Habas 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 Habas, however, the case management team will further evaluate these programs as part of the investigation process generally:

- Export-Oriented Working Capital Credit Program
- Export Credit Insurance Program
- Support and Stability Fund for participating in trade fairs in abroad
- Support on subscribing to e-trade websites

9.14 Preliminary Subsidy Finding

The verification team found that Habas received a benefit in relation to the following programs:

- Program 5 – Deductions from Taxable Income for Export Revenue

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- Program 17 – Rediscount Program
- Program 25 – Investment Incentive Program

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 Habas during the investigation period to be **0.34 per cent** at **Confidential Appendix 5**. 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

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin (not provided)
Confidential Appendix 6	Subsidy calculations
Confidential Attachment 1	Benchmark verification assessment