



Exporter Verification Report

Verification & Case Details

Initiation Date	16/11/2018	ADN:	2018/175
Case:	Investigation on the alleged dumping and subsidisation of steel reinforcing bar		
Case Number	495		
Exporter	Diler Demir Celik Endustri ve Ticaret A.S. (Diler)		
Location	Turkey		
Verification from	6/02/2019	to	11/02/2019
Investigation period	1/10/2017	to	30/09/2018

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 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Diler Demir Celik Endustri ve Ticaret A.S. (Diler) is a private company that manufactures and sells steel reinforcing bar (rebar). Diler's shareholders include the group of companies, Diler Holding, private companies that are part of Diler Holding, and natural persons. Diler also has shareholding in Diler Group.

Two other related entities are part of Diler Holding that manufactured steel reinforcing bar (rebar) for domestic and export markets. Neither of these entities exported the goods to Australia.

1.2 Related Parties

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

1.2.1 Related Customers

For all sales of the goods to Australia during the investigation period, Diler sold via a related trading company Diler Dis Ticaret A.S. (DDT). None of the Australian customers were related to Diler or DDT.

On the domestic market, Diler had one related customer of rebar during the investigation period.

1.2.2 Related Suppliers

During the investigation period, Diler had one related supplier in relation to the manufacture of the goods. Diler has shareholding in this supplier and both are part of the group Diler Holding. Diler purchases electricity generated and supplied by the associated entity in order to produce the goods, as well as for powering its administrative offices.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

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

Diler conducted a production tour for the verification team to demonstrate its production process for the goods at its single production facility. The production process involved:

- Receipt of raw material (scrap) into the scrap yard, and semi-finished product (billet) into the warehouse.
- Scrap is transferred via metal containers to the arc furnace, where it is melted. Two samples are taken at this stage for chemical composition testing.
- Additional materials, such as ferroalloys, are added to the molten steel to achieve the required chemical composition.
- Ladle furnaces tip the molten steel into a continuous casting lines that produce steel billets.
- Billets are transferred to either the rolling workshop, or stocked for sale to third parties.
- Diler has two rolling mills. Billet is reheated then forced through successive rollers with decreasing clearances to achieve the desired diameter. For the production of rebar, a final roller deforms the smooth steel rod.
- For the production of rebar in coil form, an additional process of spooling is conducted.
- In the packing area, rebar in straight form are transported from the production line via stands for bundling, and rebar in coil form are bound together. Mechanical testing is conducted in the packing area.
- Finished product are stocked in the warehouse before customer pickup or delivery to the port.

2.2 Model Control Codes (MCCs)

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

Item	Category	Sub-category	Identifier
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

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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

However, Diler provided cost to make data by the following characteristics:

- Form (straight or coil); and
- Diameter.

Diler explained that in the ordinary course of business, its costs records are broken down by form. Diler allocated costs to each diameter range specified in the MCC structure based on production line machine time in order to separate cost MCC by form and diameter.

Despite being a mandatory category in the MCC structure, Diler advised that the cost to make data does not specify yield strength. Diler explained that in producing all rebar, standard billets are consumed, and the water quench and tempering process is conducted to increase yield strength. Diler advised that the cost of water quench and tempering is marginal and therefore, its cost records do not attribute difference costs for water quench and tempering to different products in the ordinary course of business.

In verifying Diler's costs of production, the verification team considers that the absence of yield strength as a cost MCC characteristic is reasonable and does not impact the accuracy of the costs breakdown.

2.3 The goods exported to Australia

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

- 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

2.4 Like goods sold on the domestic market

The verification team were satisfied that Diler 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;

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- 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.

Diler 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-C-2
- P-B-S-D-2
- P-B-C-A-C
- P-B-C-B-C
- P-C-C-A-C
- Non-prime mixed lengths in straight and coil form

2.5 Model matching

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

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 and coil form. Diler 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 Diler 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).¹

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

3 UPWARDS VERIFICATION OF SALES

3.1 Verification of Sales Completeness and Relevance

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

The verification team conducted the verification as follows:

- Diler’s total operating revenue for financial year 2017 was tied to the amount for the investigation period based on Diler’s audited financial accounts and management reports;
- The net sales revenue for non-subject products was removed using Diler’s sales data warehouse. A reconciliation between the accounting system and sales data warehouse was conducted;
- The net sales revenue for the goods was separated into each market – domestic, Australia and third country – using Diler’s sales data warehouse; and
- The verification team tied the total net sales revenue for the subject products for each market to the respective sales listings that Diler provided in the REQ.

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

3.1.1 Exceptions during Verification of Sales Completeness and Relevance

No.	Exception	Resolution	Evidence Relied On
1	Invoice prices and invoice dates reported in the Australian sales listing were identified to be the prices between the trading entity (DDT) and the Australian customers. Diler was requested to provide the invoice price and invoice dates from the manufacturer (Diler) to the trader (DDT).	Diler submitted a revised listing which included the invoice values, invoice numbers and invoice dates for transactions between the manufacturer and trader.	Commercial invoice source documents for verification of accuracy. Trial balance for verification of completeness and relevance.

3.2 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the REQ by Diler, including any required amendments as outlined as an exception above, is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of Sales Accuracy

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

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

4.1.1 Exceptions during Verification of Sales Accuracy

No.	Exception	Resolution	Evidence Relied On
1	During the visit, Diler provided a revised Australian sales listing to separate the cost of port and handling expenses from an aggregated cost, which also included ocean freight. Handling is relevant to the expenses up to the Free On Board (FOB) point. Part of the handling expense includes additional containerisation fees for longer products.	The verification team was able to verify the separated port and handling charges, and ocean freight expenses, to source documents and to management reports.	Commercial invoice source documents for verification of accuracy. Trial balance for verification of completeness and relevance.
2	In the Australian sales listing, Diler incorrectly labelled each transaction's yield strength MCC category as "D" rather than "C".	The verification team amended each transaction to be yield strength category "C".	Source documents, including commercial invoices
3	The verification team identified an error in the formula applied by Diler to calculate the unit export packaging adjustment.	The verification team amended the formula to calculate a unit value export packaging cost based on the export quantity ² which resulted in a marginally different export packaging adjustment.	Verification of export sales quantity

² The verification team calculated all unit values on actual quantity, rather than theoretical quantity.

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4	In the domestic sales listing, the verification team identified a minor number of transactions relating to internal sales, sample sales and returns.	The verification team removed these types of sales from the domestic sales listing as they do not meet the requirement of ordinary course of trade.	Source documents
5	In the domestic sales listing, the verification team identified a minor number of transactions from Diler to a related party.	The verification team could not readily test arms length for these sales to the related entity given that the sales involved a high grade specialised rebar in coil form not commonly sold to other entities. As such, the verification team elected to remove these minor number of transactions from the domestic sales listing.	Source documents

4.2 Sales Accuracy Finding

The verification team are satisfied that the sales data provided in the REQ by Diler, including any required amendments as outlined as an exception above, is accurate.

5 COST TO MAKE AND SELL

5.1 Verification of completeness and relevance of CTMS data

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

The verification team conducted the verification as follows:

- Diler’s total cost of goods sold (COGS) for financial year 2017 was tied to the amount for the investigation period based on Diler’s audited financial accounts and management reports;
- The COGS for minor amounts relating to certain non-subject products was removed;
- The COGS was converted to cost of production based on the change in finished goods inventory;
- The remaining amount of cost of production relating to non-subject products, being smooth wire rod in coil form, was removed;
- The verification team tied the total cost of production for the subject products to the CTMS information that Diler provided in the REQ.

The verification team did not identify any issues during this process that would require amendments to the CTMS information provided in the REQ. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

5.2 Completeness and Relevance Finding of CTMS data

The verification team is satisfied that the CTMS information provided in the REQ is complete and relevant.

5.3 Verification of CTMS Allocation Methodology

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

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Weighted average costing by monthly production quantities for the relevant workshops.	<ul style="list-style-type: none"> • General and sub-ledgers for billet and scrap inventories; • Raw material purchase listings; and

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		<ul style="list-style-type: none"> • Source documents, including invoices and proof of payment.
Scrap Allocation	Net sales revenue achieved applied by monthly production quantities for the relevant workshops.	<ul style="list-style-type: none"> • General and sub-ledgers for by-product inventories.
Manufacturing Overheads	Weighted average costing by monthly production line machine time for the relevant workshops.	<ul style="list-style-type: none"> • General and sub-ledgers for utilities; • Source documents, including invoices and proof of payment.
Direct labour	Weighted average costing by monthly production line machine time for the relevant workshops.	<ul style="list-style-type: none"> • General and sub-ledgers for direct labour expenses.
Depreciation	Weighted average costing by monthly production line machine time for the relevant workshops. Straight line method based on asset type, original value and depreciation rate.	<ul style="list-style-type: none"> • General and sub-ledgers for depreciation; and • Fixed asset register.
Packaging	Weighted average costing by monthly production line machine time for the relevant workshops.	<ul style="list-style-type: none"> • General and sub-ledgers for manufacturing overheads inventories.

The verification team did not identify any issues during this process that would require amendments to the CTMS information provided in the REQ. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

5.4 Verification of CTMS Methodology Finding

The verification team is satisfied that the allocation methodology for the CTMS information provided in the REQ is reasonable.

5.5 Verification of Accuracy of CTMS data

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

The verification team did not identify any issues during this process that would require amendments to the CTMS information provided in the REQ. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

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Arms length assessment

During the investigation period, Diler had one related supplier in relation to the manufacture of the goods. Diler has shareholding in this supplier and both are part of the group Diler Holding. Diler purchases electricity generated and supplied by the associated entity in order to produce the goods, as well as to power its administrative offices. In verifying Diler's cost of producing the goods, the verification team compared sales by the associated entity to non-related entities with the associated entity's sales to Diler. The verification team considers Diler's purchases of electricity from the associated entity represent arms length prices.

5.6 Accuracy Finding of CTMS data

The verification team is satisfied that the CTMS information provided in the REQ is accurate.

6 EXPORT PRICE

6.1 The importers

In relation to the goods exported by Diler to Australia, the verification team considers that the Australian customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

6.2 The exporter

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

With regards to Diler's role in its Australian sales, the verification team notes that Diler:

- manufactured the goods to Australian standards and is listed as the producer on the sales contract between DDT and Australian importer; and
- arranged inland transport of the goods to the port of export, and knowingly placing the goods in the hands of a carrier, for delivery to Australia.

The verification team considers that Diler was the exporter of the goods for all Australian export sales during the investigation period.

6.3 Arms length

In respect of Diler's (and DDT's) Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the 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.³

The verification team therefore considers that all export sales to Australia made by Diler, via DDT, during the period were arms length transactions.

6.4 Export Price – assessment

In respect of Australian sales of the goods by Diler, the verification team recommends that the export price not be determined under subsection 269TAB(1)(a) or 269TAB(1)(b). This is because the goods were not purchased by the importers from the exporter (Diler). The goods were instead purchased by the importers from an intermediary (DDT). The verification team recommends that the export price be calculated under subsection 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

³ Section 269TAA of the Act refers.

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(DDT) to Diler with the addition of relevant FOB costs incurred by DDT.⁴ The date of sale used by the verification team is the date of the commercial invoice between Diler and DDT.

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

⁴ 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)”.

7 DOMESTIC SALES SUITABILITY

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

7.1 Arms length

As discussed under section 4.1.1 (exception no. 4), the verification team removed sales to a related entity in the domestic sales listing. As such, the domestic sales listing does not include any sales to related entities.

In respect of the domestic sales of the goods made by Diler to its unrelated 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 Diler to unrelated domestic customers during the period were arms length transactions.

7.2 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.

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

Number of Models	Models in OCOT
9	8

7.3 Suitability of domestic sales

Subsection 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.

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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	Closest domestic MCC with sufficient sales on the domestic market	Specification difference(s)	Specification adjustment possible?
P-C-S-B-1	No	P-B-S-B-2	Yield strength and length	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, form, diameter or length (as applicable), in accordance with subsection 269TAC(8).
P-C-S-B-2	No	P-C-C-A-C	Form, diameter and length	
P-C-S-C-1	No	P-C-C-A-C	Form, diameter and length	
P-C-S-C-2	No	P-B-S-C-2	Yield strength	
P-C-S-D-2	No	P-C-C-A-C	Form, diameter and length.	

Given that the verification team does not have information before it to enable it make reliable specification adjustments under subsection 269TAC(8) for differences between export and domestic models, the verification team recommends constructing the normal value of each model under subsection 269TAC(2)(c).

7.4 Profit

Where the Commission is required to calculate a normal value under subsection 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 Diler on the domestic market in the OCOT, in accordance with subsection 45(2) of the *Customs (International Obligations) Regulation 2015*.

8 ADJUSTMENTS

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

8.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed by Diler?
Packaging	The packaging for the goods exported to Australia incur additional costs to rebar sold on the domestic market.	To obtain the additional export-specific packaging adjustment, the total export-specific packaging cost was divided by the total export quantity of the goods during the investigation period.	The verification team verified the amounts for domestic and export packaging to the sub-ledgers in the accounting system. The total export quantity was also verified to the accounting system.	Yes
Inland transport (domestic and export)	Diler incurred inland transport expenses for all Australian sales and certain domestic sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Commercial invoices for actual quantity and sub-ledgers from the accounting system for inland transport expenses.	Yes
Port inspection expense	Diler incurred port inspection expenses for Australian sales.	Weighted average unit value based on actual inspection cost and invoice quantity.	Commercial invoice	Yes
Customs' overtime expense	Diler incurred Customs' overtime expenses for Australian sales.	Weighted average unit value based on actual customs overtime cost and invoice quantity.	Commercial invoice	Yes
Port handling expense	Diler incurred port handling expenses for Australian sales.	Weighted average unit value based on actual handling cost and invoice quantity.	Commercial invoice	Yes
Exporters' Association fees	Diler incurred Exporters' Association fees for Australian sales.	Weighted average unit value based on actual exporter's	Commercial invoice	Yes

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		association fees and the invoice quantity.		
Export commission	Diler incurred commission expenses for Australian sales.	Actual expense for transaction from commercial invoice. Weighted average unit value based on actual commission expense and invoice quantity.	Commercial invoice	Yes
Export bank charges	Diler incurred bank charges for Australian sales.	Weighted average unit value based on actual bank charges and invoice quantity.	Accounting system sub-ledger	Yes
Credit expenses (domestic and export)	For Australian sales, Diler's payment terms were letter of credit at sight. As such, the verification team is satisfied that Diler did not incur credit expenses on sales of the goods to Australia. Accordingly, the verification team considers that <u>no adjustment is warranted</u> for export credit expenses. For domestic sales, Diler's payment terms ranged from pre-payment to deferred payment terms.	Weighted average interest rate of the Central Bank of the Republic of Turkey for the investigation period, applied to the weighted average number of payment days.	Information from the Central Bank of the Republic of Turkey for the interest rate. Commercial invoices for the payment days in the domestic sales listing.	Yes
Inventory carrying cost	Diler claimed that it has a larger opportunity cost with respect to its inventory carrying for exported goods compared to its domestically sold products. Diler claimed that this is because exported goods, which are exclusively made to order, sit in inventory for less time than domestically sold product. Diler provided a calculation for the number of inventory days for Australian and domestic goods based on inventory and sales quantities. While Diler demonstrated that there is a difference in the number of inventory days between Australian and domestic goods, the verification team does not have information before it to be satisfied that this difference is reflected in the price of the goods. Accordingly, the verification team considers that <u>no adjustment is warranted</u> for inventory carrying costs.	N/A	N/A	Yes
Inward Processing Regime – Duty Drawback	In its REQ, Diler claimed that the Commission should consider a duty drawback adjustment when comparing export and domestic sales of the goods. Diler claimed that it imported raw materials under the Turkish Inward Processing Regime that were consumed in the production	N/A	N/A	Yes

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	<p>of exported rebar. Under this system, Diler was exempted from paying any import duties, charges and VAT on the importation of the raw materials consumed in producing exported products. Diler did not claim, nor present any information which suggested that, it paid import duty for any imported raw materials that were consumed in producing goods sold domestically.</p> <p>The visit team verified Diler's use of the Inward Processing Regime during the investigation period having regard to Diler's certificates within the Turkish government's online e-portal. As all imported raw materials were exempted from import duty due to being intended for export, Diler therefore was not subject to import duty in relation to both exported and domestically sold goods.⁵ Accordingly, there are no differences in the export and domestic prices due to the effects of the import duties and <u>no adjustment is warranted</u> for duty drawback.</p>			
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8.2 Adjustments

Adjustment Type	Deduction/addition
Domestic credit expense	Deduct the cost of domestic credit
Export packaging	Add the cost of export packaging
Export inland transport	Add the cost of export inland transport
Export port inspection expense	Add the cost of export port inspection
Export Custom's overtime expense	Add the cost of Custom's overtime
Exporters' Association fees	Add the cost of Exporters' Association fees
Export handling expense	Add the cost of export handling
Export commission expense	Add the cost of export commission
Export bank charges	Add the cost of export bank charges

⁵ P. 69 of the Dumping and Subsidy Manual, November 2018.

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

9 NORMAL VALUE

The verification team is 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 found that it did not have information that would allow it to reliably make specification adjustments in accordance with subsection 269TAC(8).

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

- cost of producing the goods; and
- administrative, selling and general costs, and an amount for profit, on the assumption that the goods were sold on the domestic market in the OCOT.

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

10 DUMPING MARGIN

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

11 SUBSIDIES

11.1 Provision of inputs at less than adequate remuneration

In its REQ, Diler claimed that it had not received a benefit for the provision of inputs at less than adequate remuneration.

Diler provided spreadsheets listing all its purchases of electricity and natural gas during the investigation period and specified whether the raw material was manufactured by state owned or invested enterprises (SOE). The verification team verified the accuracy, completeness and relevance of raw materials purchase listings.

Diler also claimed that it had not purchased or rented land from SOE, nor purchased lignite coal, during the investigation period.

In the spreadsheet listings, Diler specified that none of the manufacturers of the raw material were SOE based on its knowledge of the entities and inquiries into shareholding information.

The verification team did not identify any information that suggests the manufacturers or suppliers were SOE. The verification team also found that Diler did not rent or purchase land from an SOE during the investigation period, nor did it purchase lignite coal during the investigation period.

As such, the verification team found that Diler did not receive any benefit from the provision of inputs at less than adequate remuneration.

11.2 Preferential Tax Programs

In its REQ, Diler stated that it had received a benefit under the following preferential tax programs:

- Program 5 – Deductions from Taxable Income for Export Revenue; and
- Program 8 – Exemption from property tax.

The verification team verified the amount relating to Program 5 in Diler's audited financial statements and tax returns for 2017, and the amount relating to Program 8 to documents produced by the local government administration.

In relation to company tax, Diler stated in its REQ that it had not benefitted from a preferential company tax and had paid the standard company tax rate of 20 per cent for the three most recently completed financial years.

Having regard to the audited financial statements, the verification team found that Diler paid the standard company tax rate, and reconciled the amount in the audited financials to tax returns for financial years 2015 to 2017. The verification team notes that the 2018 financial year tax returns were not available at the time of the verification visit.

The verification team notes that Diler imported raw materials under the Turkish Inward Processing Regime, for which it claimed an adjustment to the normal value (chapter 8.1 refers). The verification team verified Diler's use of the Inward Processing Regime during the investigation period, including the yield rate inputted, and found that:

- the Inward Processing Regime, and Diler's use of it, was reasonable given that the duty exemption relating to quantities of imported raw materials could not, and did not, exceed the quantities of finished product exported (allowing for yield); and

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- the yield rate inputted by Diler is reasonable based on the visit team's verification of Diler's costs of production.

Based on the above, the verification team does considers that Diler used the Inward Processing Regime reasonably and did not receive a countervailable benefit.

As such, the verification team found that Diler has received a benefit under Programs 5 and 8. The verification team did not identify any other preferential tax assistance that may constitute a subsidy program.

11.3 Preferential Loans

In its REQ, Diler claimed that during the investigation period it held loans relating to the following:

- Program 17 – Rediscount Program; and
- Export oriented working capital loans.

Diler provided a listing of the abovementioned loans, as well as its commercial loans, during the investigation period. The verification team verified the completeness, relevance and accuracy of the listing, and did not identify any issues.

The verification team did not identify any other preferential loans or financial assistance that may constitute a benefit for Diler during the investigation period.

11.4 Grants and other programs

In its REQ, Diler advised that it had not benefited from any grant programs, with the exception of anti-dumping financial assistance and various social security programs. The verification team verified the amount of assistance received by Diler during the investigation period in relation to an anti-dumping investigation.

The verification team received the non-operating income ledger for the period 1 January 2015 to 30 September 2018, and found that Diler had not received any grants, with the exception of those mentioned above, during the investigation period. The verification team reconciled the non-operating income ledger to the audited financial statements.

As such, the verification team found that Diler did not receive any grants during the period 1 January 2015 to 30 September 2018.

11.5 Subsidies – Conclusion

The verification team found that Diler benefitted from the following programs during the investigation period:

- Program 5 – Deductions from Taxable income for Export Revenue;
- Program 8 – Exemption from property tax;
- Program 17 – Rediscount Program; and
- Program 22 – Assistance to Offset Costs Related to AD/CVD Investigations.

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 Diler during the investigation period to be **0.03 per cent** at **Confidential Appendix 6**.

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

12 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 published)
Confidential Appendix 6	Subsidy margin
Confidential Attachment 1	Verification work program