



## **Exporter Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	03/06/2019	<b>ADN:</b>	2019/86
<b>Case:</b>	Deep drawn stainless steel sinks from China		
<b>Case Number</b>	517		
<b>Exporter</b>	Rhine Sinkwares Manufacturing Ltd. Huizhou		
<b>Location</b>	China		
<b>Verification from</b>		<b>to</b>	
<b>Inquiry Period</b>	01/07/2018	<b>to</b>	30/06/2019

**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 23 August 2019, Rhine Sinkwares Manufacturing Ltd. Huizhou (Rhine) submitted its response to the exporter questionnaire (REQ) in relation to the continuation inquiry into measures relating to deep drawn stainless steel sinks (the goods) exported to Australia from the People's Republic of China (China) should be continued. The REQ received from Rhine was lodged within the legislated extended timeframe and considered complete and free of material deficiencies.

Although Rhine 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 provided REQ has been established by ascertaining the variable factors relating to its exports of the goods to Australia and benchmarking these factors, and the relevant data underlying these factors to the following:

- The sales and cost data and the variable factors ascertained for other cooperating exporters that were the subject of a verification visit<sup>1</sup>;
- The sales and cost data and the variable factors ascertained for other cooperating exporters whose data was not the subject of a verification visit;
- Relevant information from previous investigations; and
- The data submitted with the exporter's REQ.

Where the examination of the data in the REQ produced results that were inconsistent with those observed in relation to other exporters' data or other relevant information, the verification team has undertaken further details analysis and where necessary reported the outcome of this analysis accordingly.

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

### 1.2 Corporate Structure and Ownership

Rhine is a privately owned company which manufactures primarily stainless steel sinks for sale to domestic and export markets, including to Australia.

### 1.3 Related Parties

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

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<sup>1</sup> Questionnaire responses received from Primy Corporation and Zhuhai Grand were subject to a verification visit in China. Verification reports for both visits are on the case public record.

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The verification team was satisfied, based on an examination of the data submitted in the exporter's REQ that it did not have any related party customers or suppliers of the goods during the inquiry period.

### **1.3.1 Related suppliers**

Rhine reported in its REQ that it did not purchase any raw materials from related companies. On examination of Rhine's REQ, the verification team was satisfied that Rhine was not related to any of its suppliers.

### **1.3.2 Related customers**

Based on an examination of the data reported by the exporter in its REQ, the verification team is satisfied that the exporter has not sold goods or like goods to related party customers.

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

### **2.1 Production Process**

Rhine described its production process of deep drawn stainless steel sinks in G-1.1 of its REQ as follows:

1. Stainless steel coil (grade 304 of various gauge and size) is drawn to the desired shape (bowl or drainer board of various design).
2. Where relevant, bowls and drainer boards are welded together to form the sink.
3. The sink is polished and sand-blasted.
4. The sink is inspected and packaged.

### **2.2 Model Control Codes (MCCs)**

As detailed in the initiation notice<sup>2</sup>, the Anti-Dumping Commission (the Commission) did not propose an MCC structure at the outset of this inquiry. Alternatively, information gathered in responses received from importers and exporters, and the Australian industry would be used to assess whether an appropriate MCC structure can be developed.

To aid in assessing the application of an MCC structure, the Commission requested the following information be provided for all product models that the importer, exporter, and Australian industry sold.

<b>Category</b>	<b>Characteristics of category</b>
Product Identifier	Company's product ID or product code which will link to the sales listing
Stainless Steel Grade	Grade of stainless steel used to manufacture sink, e.g. 304
Material Gauge (Thickness "mm")	Thickness of steel sheet used to manufacture sink
Finish	Final finish of sink, e.g. polished/brushed/etc
Total Capacity All Bowls ("Litres" or "L")	Combined capacity of all bowls
Total Number of Bowls	As named
Capacity of Largest Bowl ("Litre" or "L")	As named
Capacity of Additional Bowl 2 ("Litre" or "L")	As named
Capacity of Additional Bowl 3 ("Litre" or "L")	As named
Capacity of Additional Bowl 4 ("Litre" or "L")	As named

<sup>2</sup> ADN No. 2019/86

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Category	Characteristics of category
Number of Drainer Boards	As named
Bowl Corner Radius ("millimetres" or "mm")	Radius of inside corners of bowls
Included Accessories (Yes/No?)	As named
Accessory 1	As named
Accessory 2	As named
Accessory 3	As named
Accessory 4	As named
Accessory 5	As named
Packaging type	As named

**Table 1: Categories selected for identification**

Rhine provided the above information categories for both its Australian sales listing and domestic sales listing relevant to its responses to part B-2 and D-2 of its REQ. It also provided similar information in response to Section C of the REQ regarding product specification.

Exporters were not requested to provide the same level of detail in the cost of production data for the purpose of section G-3 and G-5 of the REQ however sufficient information was requested and provided by the exporter to allow the cost data reported at the product code to be mapped against the product specification data reported in the sales listing.

### **2.3 Mapping MCC Structure**

Relying on an analysis of Rhine's sales and production of sinks sold into the domestic market and export market, and feedback received from the verification teams who attended on-site verifications in China, the verification team considers that the consumption of stainless steel required to produce sinks is the main driver of both cost and price in relation to the goods, and can be linked to the following attributes of the sink:

- Number of bowls
- Drainer boards; and
- The total capacity of the sink.

The verification team also considered it necessary to have regard to the shape of the bowl in the case Rhine's sink sales. Rhine's sinks were found to have bowls which were either circular or rectangular. Circular bowls were identified by the sink radius data reported by Rhine and comparing the relevant sales to the product information provided by the exporter. To map sinks with circular bowls the verification team added the "R" suffix to MCC Category 1 sub-categories.

In addition to the above, the kinds of accessories offered with sinks was also found to be a price determinant. The type and combination of accessories differed between domestic and export sales for each product of sink. Since each product sold had a

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unique combination of accessories, there is no accessory sub-category assigned to MCCs for Rhine. Instead, the verification team opted to use the weighted average accessory cost for each MCC when attributing costs relating to the accessories.

The resulting MCC structure was applied to Rhine’s exports, domestic sales and costs, as outlined in Table 2.

Item	Category	Subcategory	Identifier
1	Number of Bowls	1 Bowl	1BWL
		1 Bowl (Round)	1BWLR
		2 Bowls	2BWL
		2 Bowls (Round)	2BWLR
2	Number of Drainer Boards	No drainer board	0DB
		1 drainer board	1DB
		2 drainer boards	2DB
3	Total Sink Capacity (Litres or "L")	Greater than or equal to 7L but less than or equal to 30L	A
		Greater than 30L but less than or equal to 50L	B
		Greater than 50L but less than or equal to 70L	C

**Table 2: MCC Structure**

When expressed within the MCC structure, a two bowl sink with one drainer board and a total capacity of 35 litres would have an MCC of 2BWL-1DB-B.

**2.3.1 Assessment of MCC Structure for Rhine**

The verification team’s analysis demonstrated that the price and cost differences were influenced by the number of bowls, number of drainer board and total sink capacity. The trend observed in relation to both the domestic sales of like goods and the goods exported to Australia was similar. On this basis the verification team was satisfied that the MCC structure as applied to Rhine’s sinks sales and production appeared to appropriately capture the key price and cost determinants.

Noting that the sink capacity MCC has three sub-categories, the verification team further examined the average capacity of the sinks within each produced that mapped to the MCC structure.

After mapping all of the exporter’s sales of domestic like goods and exported goods to the relevant MCC the verification team observed that the average sink capacity on the domestic and export side within each MCC was similar. On this basis, the verification team was satisfied that the MCC sub-categories relating to total sink capacity were suitable.



In relation to other sink features, the verification team also had regard to whether the sinks corner radius influenced price. Particularly the concept that sinks with a smaller corner radius attracted higher prices than a sinks with larger radius corners. The analysis of the prices of sinks of differing corner radius within each MCC revealed that there was no correlation between price and size of corner radius, i.e. the price of larger corner radius sinks were sometimes more expensive than those with a smaller corner radius.

### **2.3.2 Amendments to MCCs**

With the exception of the recognition of sinks bowls that were circular in shape the verification team did not find it necessary to depart from the proposed MCC structure on account of variations in price.

## **2.4 Verification of MCCs**

Since exporters were not required to report cost and sales in accordance with an MCC structure, on account that a structure had not been determined at the time of initiating the inquiry, the verification team has relied on the information reported by the exporter in its cost and sales data to map each kind of sink to the MCC structure discussed at chapter 2.2.

To ensure that the product characteristics reported in relation to sales and costs were accurate for the purpose of mapping the MCC structure, the verification had regard to the following;

- Product code information provided by the exporter with its questionnaire response;
- A sample of sales invoices pertaining to domestic and export sales;
- The exporter’s product brochures; and;
- Other publicly available information, such as Australian importer’s online web based catalogues.

Although the verification of Rhine’s REQ was not conducted on-site in China, the above references were sufficient to satisfy the verification team that the product information reported by the exporter in its cost and sales worksheets was accurate. As a result, the verification team is satisfied that the MCC structure has been correctly mapped to the exporter’s data.

## **2.5 The goods exported to Australia**

The verification team were satisfied that Rhine produced and exported the goods to Australia. Rhine exported the goods to Australia with the MCCs as outlined in Table 3 during the period:

<b>Export MCCs</b>
1BWL-0DB-A
1BWL-0DB-B
1BWL-0DB-C

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Export MCCs
1BWL-1DB-B
1BWL-2DB-B
2BWL-0DB-B
2BWL-0DB-C
2BWL-1DB-B
2BWL-2DB-B
1BWL-1DB-A
1BWL-2DB-A
2BWL-1DB-A
1BWLR-1DB-A
1BWLR-0DB-A

**Table 3: Australian Export Models**

### 2.6 Like goods sold on the domestic market

The verification team were satisfied that Rhine 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 subject to individual customer specifications, the exported goods and like goods sold on the domestic market are produced in the same way, are in similar configurations in terms of bowls, capacity and drainer board, and the costs of production for models sold domestically and for export are comparable;
- the goods and the like goods are produced at the same facilities, using the same raw material inputs and manufacturing processes; and,
- they can be considered functionally alike, as they have similar end uses.

Rhine sold like goods on the domestic market with the MCCs outlined in Table 4 during the period:

Domestic MCCs
1BWL-0DB-B
1BWL-0DB-C
2BWL-0DB-B
2BWL-0DB-C

**Table 4: Domestic Like Goods Models**

### 2.7 Like goods – assessment

The verification team considers that the goods produced by Rhine for domestic sale have characteristics closely resembling those of the goods exported to Australia and

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are therefore 'like goods' in accordance with section 269T(1) of the *Customs Act 1901* (the Act).<sup>3</sup>

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

### **3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE**

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the Response to the Exporter Questionnaire (REQ) by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The visit team verified the relevance and completeness of the sales data as follows:

- Analysing the variance between the volume of goods subject to measures exported to Australia, as reported by Rhine at B-2 of its REQ and the volume of goods subject to measures in the Australian Border Force (ABF) database as declared by the exporter’s Australian customers;
- Comparing the figures reported in the attachments relevant to each company’s response to B-2 and D-2 of its REQ to the upwards sales reconciliation worksheet at B-4 of the REQ;
- Verifying the total sales revenue of all goods, like goods and none-subject goods to the figures reported in the trial balance data and the 2018 financial year audited financial statement reported at A-4 of each company’s REQ;
- Reviewing the product specifications of the models reported by Rhine in its REQ response at D-2 and B-2 against the goods description and Rhine’s product brochure (exhibit A-2.11 of Rhine’s REQ).

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

#### **3.1 Exceptions during verification of sales completeness and relevance**

No.	Exception	Resolution
1	Two export models were identified as having total sink volume in excess of 70L and as such were not the goods under consideration.	The models were removed from the export sales listing. The verification team relied on Rhine’s REQ Exhibit C-1 to identify goods that are not the subject of this inquiry.
2	One domestic model was identified as not being a deep drawn stainless steel sink and as such was not the goods under consideration.	The model was removed from the domestic sales listing. The verification team relied on Rhine’s REQ Exhibit A-2.11 and Exhibit C-2 to identify goods that are not the subject of this inquiry.

**Table 5 Exceptions during verification of accuracy of sales data**

### **3.2 Sales completeness and relevance finding**

The verification team is satisfied that the sales data provided by Rhine, including any required amendments as outlined in Table 5, is complete and relevant.

## **4 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 down to source documents. This verifies the accuracy of the data.

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 in Table 6 during this process.

For the purposes of this benchmark verification, the verification team compared the quarterly and investigation period weighted average export price and direct selling expenses as reported by Rhine to the other verified exporters. This comparison did not indicate any errors.

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

### **4.1 Exceptions during verification of sales accuracy**

No.	Exception	Resolution
1	The export sales volume used as the denominator in Rhine's calculation of export related unit direct selling expenses, i.e. inland transport and port handling expenses, was observed to be overstated.	Export unit direct selling expenses were recalculated having regard to Rhine's verified export sales listing (Exhibit B-2 of Rhine's REQ).
2	The unit cost for customs declaration and port charges reported in the Australian export sales listing incorrectly included the Value Add Tax (VAT) inclusive value.	The calculation was revised to exclude VAT in the amount for customs declaration and port charges. The verification team relied on commercial invoices provided by the company related to customs declaration and port charges.
3	Rhine stated at B-1 to its REQ that its accounting system uses the exchange published by its banking provider. The monthly exchange rate was found to be inconsistent or otherwise incorrect for sales occurring within the same month.	The export sales listing was corrected so that the exchange rate applicable to sales within a given month were consistent and the bank's published rate was applied. The verification team relied on historical exchange rates published on the website of the relevant bank.
4	The value of VAT rebates reported in its Australian export sales listing were not consistent with the response to E-4.2 in relation to non-refundable VAT expense on exports.	The verification team did not rely on the non-refundable VAT expense reported in the exporter's Australian sales listing and instead relied on VAT rebate schedule discussed at E-4.2 of its REQ.
5	Some domestic and export models were found to have an incorrect type or number of accessories reported.	The verification team compared Rhine's goods and like goods list (Exhibits C-1 and C-2 of Rhine's REQ, respectively) to information provided by Rhine in the course of the verification, including a revised export sales listing and source documents. The quantity or type of accessories were amended for the relevant models.

**Table 6 Exceptions during verification of accuracy of sales data**  
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The verification team established the following information as outlined in the table below:

<b>Item</b>	<b>Method applied</b>
Invoice value	Based on invoice
Quantity	Based on invoice and packing list
Date of sale	From invoice (invoice date is the date of sale)
Port handling charges	Based on actual costs, calculated from total port handling expenses incurred for each container load divided by the export sales volume
Inland transport	Based on actual costs, calculated from total inland transport expenses incurred for each container load divided by the export sales volume
Non-refundable VAT	The effective rate of VAT is the difference between the VAT rate relevant to a given month, and the VAT rebate relevant to that month

**Table 7 Sales verification summary**

### **4.2 Sales accuracy finding**

The verification team is satisfied that the sales data provided by Rhine, including any required amendments as outlined in Table 6, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

## 5 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that have been excluded or should be excluded.

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 visit team verified the relevance and completeness of the cost data as follows:

- Compared the Cost of Goods Sold (COGS) reported in the audited financial statement to the provided trial balances;
- Examined the COGS timing difference between the accounting period and inquiry period;
- Analysed the variance between the COGS and the production cost; and
- Reviewed the product specification data reported by the exporter at section C of its REQ to ensure goods and like goods included in the CTMS listings at G-3 and G-5 of its REQ were within the scope of the description of the goods subject to measures and representative of the goods and like goods sold during the inquiry period.

The visit team verified the relevance and completeness of the SG&A data as follows:

- Comparing the SG&A expenses reported at G-4 of the REQ to relevant accounts in the audited financial statement and trial balance data provided at A-4 of the REQ;
- Confirming direct expenses were excluded from the in-direct SG&A expenses relevant to the sale of like goods;
- Reconciled the value of direct selling expenses to respective sales listings;
- Confirmed that the calculation of the indirect SG&A expenses in relation to domestic sales of like goods at G-4.2 of the REQ was correct and in accordance with the Commission's allocation methodology.

The verification team identified the issues outlined in Table 8 during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.



### **5.1 Exceptions during verification of completeness and relevance of CTMS data**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	The three models identified in the export and domestic sales listings as not being goods under consideration were also included in the CTMS data.	The models were removed from the CTM and SG&A calculations. The verification team relied on data contained within Rhine's REQ Exhibit A-2.11, C-1 and C-2.
2	Upon attempting to reconcile the raw materials purchase list to Rhine's monthly cost report, the verification team identified that the stainless steel purchase listing was incomplete.	The verification team requested a revised stainless steel purchase listing. This listing was successfully verified to the company's monthly cost reports and enabled verification of raw materials to source documents.

**Table 8 Exceptions during verification of completeness and relevance of CTMS data**

### **5.2 Completeness and relevance finding of CTMS data**

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Rhine, including any required amendments as outlined in Table 8, is complete and relevant.

## **6 VERIFICATION OF CTMS ACCURACY**

### **6.1 Cost allocation method**

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

The verification team did not identify any issues. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 9 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Allocated on the basis of sink weight. Relied on monthly cost reports as evidence.
Manufacturing Overheads	Allocated on the basis of sink weight. Relied on monthly cost reports as evidence.
Labour	Allocated on the basis of sink weight. Relied on monthly cost reports as evidence.
Variance	Allocated on the basis of sink weight. Relied on monthly cost reports as evidence.

**Table 9 Cost allocation method**

### **6.2 Verification of accuracy of CTMS data**

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 cost data down to source documents. This verifies the accuracy of the 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.

For the purposes of this benchmark verification, the verification team compared the quarterly and investigation period weighted average unit CTM as reported by Rhine to the other verified exporters. This comparison did not indicate any errors in Rhine's CTM.

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

### **6.3 Accuracy finding**

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Rhine is accurate.

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### 7.1 The importers

In relation to the goods exported by Rhine to Australia, the verification team considers that the 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.

### 7.2 The exporter

Subject to further inquiries, the verification team considers Rhine to be the exporter of the goods<sup>4</sup>, as Rhine is:

- the manufacture of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export;

The verification team considers Rhine to be the exporter of the goods for all Australian export sales during the period.

### 7.3 Arms length

In respect of Rhine's sales of the goods to its Australian customers 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.<sup>5</sup>

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

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<sup>4</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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

#### **7.4 Export Price – assessment**

In respect of Australian sales of the goods by Rhine, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

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

## **8 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 section 269TAC(1).

### **8.1 Ordinary course of trade**

Section 269TAAD states that domestic transactions are not in the ordinary course of trade (OCOT) if arms length transactions are:

- unprofitable in substantial quantities over the investigation period; and
- unlikely to be recoverable within the period.

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction. The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period. The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction. Table 10 sets out further detail of the verification team’s considerations with respect to its OCOT findings.

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses.
Cost	Quarterly cost to make and sell, excluding direct selling expenses.
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the period.

**Table 10 OCOT details**

### **8.2 Suitability of domestic sales**

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Domestic sales of like goods are taken to be in a low volume pursuant to section 269TAC(14) where the total volume of like goods is less than five percent of the total volume of the goods under consideration that are exported to Australia (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison).

The verification team assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the normal value can be ascertained under section 269TAC(1). As per the *Dumping and Subsidy Manual*<sup>6</sup>, where the total volume of like

<sup>6</sup> Available at [www.industry.gov.au](http://www.industry.gov.au).

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goods is greater than five percent of the total volume of the goods under consideration, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type. The verification team’s assessment of the suitability of domestic models to the models exported to Australia is further detailed in Table 11.

<b>Export MCCs</b>	<b>Sufficient domestic sales of identical MCC</b>	<b>Treatment of normal value where there were insufficient domestic sales of identical MCC<sup>7</sup></b>
1BWL-0DB-A	N	Normal values determined under TAC(1) based on TAC(1) normal values for 1BWL-0DB-B and adjusted for differences in volume of sink.
1BWL-0DB-B	Y	Sufficient sales volumes available for TAC(1).
1BWL-0DB-C	N	Normal values determined under TAC(1) based on TAC(1) normal values for 1BWL-0DB-B and adjusted for differences in number of drainer boards.
1BWL-1DB-A	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
1BWL-1DB-B	N	Normal values determined under TAC(1) based on TAC(1) normal values for 1BWL-0DB-B and adjusted for differences in number of drainer boards.
1BWL-2DB-A	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
1BWL-2DB-B	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
1BWLR-0DB-A	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
1BWLR-1DB-A	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
2BWL-0DB-B	Y	Sufficient sales volumes available for TAC(1).
2BWL-0DB-C	Y	Sufficient sales volumes available for TAC(1).
2BWL-1DB-A	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
2BWL-1DB-B	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).
2BWL-2DB-B	N	No available surrogate model with sufficient sales, therefore ascertained normal value under TAC(2)(c).

**Table 11 Sufficiency test**

As outlined in Table 11, the verification team found that there were sufficient domestic sales volumes of identical MCCs made in OCOT for three MCCs exported to Australia.

For three MCCs export to Australia where there was an absence of sales of the identical MCC, the verification team found sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under

<sup>7</sup> Refer chapter 9.2 for further details regarding specification adjustments in instances where TAC(1) normal values have been determined for an export MCC having insufficient sales.

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the MCC hierarchy structure. Adjustments based on differences in product specification were limited to instances where the difference related to adjacent MCC sub-categories, e.g. difference between MCC subcategory A and B, within the same MCC category. Further discussion on the approach to specification adjustments is provided at chapter 9.2.

In relying on surrogate models, the verification team considered specification adjustments under TAC(8) are warranted to ensure fair comparison between the export model and surrogate domestic model.

In determining whether such an approach was reasonable, the verification team compared and contrasted the differences between the surrogate and target MCC by having regard to the available technical and product catalogue information supplied by the exporter. Taking this into account the verification team was satisfied that the surrogate models selected were acceptable.

For eight MCCs export to Australia, the verification team found there was an absence of domestic sales volumes of the identical MCC and there were not sufficient sales of a reasonable surrogate MCC. For these export MCCs, and pursuant to section 269TAC(2)(a)(i), the verification team considers there is an absence of sales of like goods in the market of the country of export that would be relevant for the purposes of determining a price under section 269TAC(1) and has constructed the normal value for these MCCs under section 269TAC(2)(c).

### 8.3 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under Regulation 45 of the *Customs (International Obligations) Regulation 2015* (the Regulation).

The verification team has calculated an amount of profit based on the profit achieved on domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

The verification team's preliminary calculation of domestic profit is at **Confidential Appendix 3**.

## **9 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8) and 269TAC(9).

### **9.1 Rationale and Method**

<b>Adjustment type</b>	<b>Assessment for adjustment</b>	<b>Calculation method and evidence</b>	<b>Claimed in REQ?</b>	<b>Adjustment required?</b>
Domestic accessories	The type and combination of accessories differs between domestic and export sales models. For normal values established under TAC(1), a downward adjustment to the normal value was required to adjust for accessories associated with domestic models. For normal values established under TAC(2)(c), no downwards adjustment was required because the CTM was exclusive of accessories.	An amount for domestic accessories was deducted from the domestic sales on a line-by-line basis. The verification team relied on data requested from Rhine regarding the unit cost and quantity of the accessories accessory for each product code.	No	Yes
Export inland transport	Export sales are sold at FOB, therefore normal values established under TAC(1) and TAC(2)(c) require an upward adjustment for the cost of transporting the goods from the factory to the port.	Calculated a unit amount as the sum of inland freight charges in relation to export sales to Australia divided by the total quantity of sinks exported to Australia. The verification team relied on freight invoices, Rhine's verified export sales listing and Rhine's inquiry period trial balance.	Yes	Yes
Export port charges	Export sales are sold at FOB, therefore normal values established under TAC(1) and TAC(2)(c) require an upward adjustment for the charges associated with export of the goods to Australia.	Calculated a unit amount as the sum of port handling charges in relation to export sales to Australia divided by the total quantity of sinks exported to Australia. The verification team relied on logistics provider invoices, Rhine's verified export sales listing and Rhine's inquiry period trial balance.	Yes	Yes
Export accessories	The type and combination of accessories differs between domestic and export sales models. Normal values established under TAC(1) and TAC(2)(c) require an upward adjustment to adjust for accessories associated with export models.	A weighted average amount for export accessories was added to each MCC. The verification team relied on data requested from Rhine regarding the unit cost and quantity of the accessories accessory for each product code.	No	Yes



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<b>Adjustment type</b>	<b>Assessment for adjustment</b>	<b>Calculation method and evidence</b>	<b>Claimed in REQ?</b>	<b>Adjustment required?</b>
Non-refundable VAT	Rhine incurred an expense on export sales due to non-refundable VAT during the inquiry period, therefore normal values established under TAC(1) and TAC(2)(c) require an upward adjustment.	Rhine received a VAT rebate for export sales of the goods. The effective VAT rate incurred by Rhine was verified as being 7 per cent prior to 1 April 2019 and zero per cent thereafter. The verification team applied the appropriate quarterly effective rate to the unit FOB normal value of each MCC to obtain a unit non-refundable VAT amount for addition to the unit FOB normal value. The verification team relied on Rhine's response to REQ question E-4 and data contained in Rhine's verified export sales listing.	Yes	Yes
Timing adjustment	For normal values established under TAC(1), one MCC contained quarters where no domestic sales had been made. A timing adjustment was applied to the relevant quarters.	The timing adjustment was applied against a neighbouring quarter such that the trend between the quarters was the same trend as that for all goods between those quarters.	No	Yes
Specification adjustment (Refer to chapter 9.2 for further detail regarding the verification team's approach to specification adjustments)	For normal values established under TAC(1), several export MCCs had an absence of equivalent domestic sales in the OCOT.	For six export MCC's it was reasonable to determine a normal value by applying a specification adjustment calculated as the normal value of a surrogate model (a domestic MCC in the OCOT) plus the difference in cost between the surrogate model and the model having no domestic sale. The verification team made the specification adjustment against a surrogate model that differed in only one MCC category from the model having no domestic sale. The verification team relied on Rhine's verified export CTM data to make the specification adjustment.	No	Yes

**Table 12 Assessment of adjustments**

## 9.2 Specification Adjustments

As discussed in chapter 8.2, the verification team found that there were no domestic OCOT sales of like goods for MCCs 1BWL-0DB-A, 1BWL-0DB-C, and 1BWL-1DB-B with which a normal value could be determined under 269TAC(1).

In the alternative the verification team considers that suitable surrogates were available in sufficient OCOT sales volumes that, when adjusted for specification differences, permitted the normal value to be determined under section 269TAC(1). Adjustments to account for specification differences between the relevant MCC and its surrogate MCC are based on the differences in the cost of production reported in relation to those MCCs exported to Australia, plus the profit margin earned on domestic like goods sold in OCOT. Differences in cost of production related to either the drainer board or the volume of the sink.

The verification team considers that the adjustments to account for differences in specifications between the relevant MCC and its surrogate MCC reflect the practice outlined in the Manual.<sup>8</sup>

The verification team notes the following regarding the approach to the calculation of specification adjustments;

Export MCC	Surrogate MCC	Approach
1BWL-0DB-A	1BWL-0DB-B	The difference in the Australian cost of production for sink volume (volume designation B to designation A) between 1BWL-0DB-B and 1BWL-0DB-A plus the addition of the profit margin earned on domestic like goods sold in OCOT to customers in a level of trade comparable to export customers.
1BWL-0DB-C	1BWL-0DB-B	The difference in the Australian cost of production for sink volume (volume designation B to designation C) between 1BWL-0DB-B and 1BWL-0DB-C plus the addition of the profit margin earned on domestic like goods sold in OCOT to customers in a level of trade comparable to export customers.
1BWL-1DB-B	1BWL-0DB-B	The difference in the Australian cost of production for one drainer board between 1BWL-0DB-B and 1BWL-1DB-B plus the addition of the profit margin earned on domestic like goods sold in OCOT to customers in a level of trade comparable to export customers.

**Table 13 Overview of approach to specification adjustments**

## 9.3 Adjustments

The verification team considers the following adjustments under section 269TAC(8) and 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
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<sup>8</sup> Chapter 15.3, Physical Characteristics and Quality, p.67 (November 2018).

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<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic accessories	<b>Deduct</b> an amount for domestic accessories under 269TAC(8).
Export inland transport	<b>Add</b> an amount for export inland transport under 269TAC(8) and 269TAC(9).
Export port charges	<b>Add</b> an amount for port charges under 269TAC(8) and 269TAC(9).
Export accessories	<b>Add</b> an amount for export accessories under 269TAC(8) and 269TAC(9).
Non-refundable VAT	<b>Add</b> an amount for non-refundable VAT under 269TAC(8) and 269TAC(9).
Timing adjustment	Under 269TAC(8).
Specification	<b>Add</b> or deduct an amount for differences in product specifications for normal values determined under section 269TAC(1).

**Table 14 Summary of adjustments**

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

## **10 NORMAL VALUE**

### **10.1 Normal values ascertained under section 269TAC(1)**

The verification team found that there were 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 the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under section 269TAC(1). These MCCs are detailed in Table 15.

Export MCC	Sufficient domestic sales of identical MCC	Note
1BWL-0DB-B	Y	Sufficient sales volumes available for TAC(1).
2BWL-0DB-B	Y	Sufficient sales volumes available for TAC(1).
2BWL-0DB-C	Y	Sufficient sales volumes available for TAC(1).

**Table 15 Normal values under 269TAC(1) based on sales in OCOT**

As detailed in Table 16, the verification team found that there was an absence of domestic sales for the listed MCCs exported to Australia. The verification team determined normal values for these models under 269TAC(1) by the identification of a suitable surrogate model subject to adjustments under section 269TAC(8) to account for specification differences in the form of number of drainer boards or the volume of the sink (refer also chapter 9.2).

Export MCC	Sufficient domestic sales of identical MCC	Surrogate model
1BWL-0DB-A	N	1BWL-0DB-B adjusted for differences in sink volume.
1BWL-0DB-C	N	1BWL-0DB-B adjusted for differences in sink volume.
1BWL-1DB-B	N	1BWL-0DB-B adjusted for differences in number of drainer boards.

**Table 16 Normal values under 269TAC(1) based on 269TAC(1) surrogate MCCs**

The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in chapter 9.

The verification team's preliminary normal value calculations pursuant to 269TAC(1) are at **Confidential Appendix 4**.

## 10.2 Normal values ascertained under section 269TAC(2)(c)

The verification team is satisfied that because of the absence, or low volume, of sales of certain models of like goods in the market of the country of export that would be relevant for the purpose of determining a normal value, and where a specification adjustment in accordance with 269TAC(8) cannot be applied, the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

The verification team has therefore calculated a preliminary normal value under section 269TAC(2)(c) for MCCs as detailed in Table 17.

<b>Export MCC</b>	<b>Sufficient domestic sales of identical MCC</b>	<b>Note</b>
1BWL-1DB-A	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
1BWL-2DB-A	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
1BWL-2DB-B	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
1BWLR-0DB-A	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
1BWLR-1DB-A	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
2BWL-1DB-A	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
2BWL-1DB-B	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).
2BWL-2DB-B	N	Absence of sales or no available cost information to apply a reasonable surrogate model therefore ascertained normal value under TAC(2)(c).

**Table 17 Normal values under TAC(2)(c)**

The verification team has therefore calculated a preliminary normal value under section 269TAC(2)(c) using the sum of:

- the cost to make the exported model based on the company's records in accordance with section 43(2) of the *Customs (International Obligations) Regulation 2015* (the Regulation);

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- SG&A on the assumption that the goods, instead of being exported, were sold domestically based on the company's records in accordance with section 44(2) of the Regulation; and
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

In constructing normal values under 269TAC(2)(c), the verification team considers that certain adjustments in accordance with section 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 9 above.

The verification team's preliminary normal value calculations pursuant to 269TAC(2)(c) are at **Confidential Appendix 4**.

## 11 DUMPING MARGIN

In the original investigation at section 6.8 of *Anti-Dumping Commission Report No.238*, the Commission did not consider that the cost of grade 304 stainless steel cold rolled coil reflected competitive market costs under Regulation 180(2) of the *Customs Regulations 1926*. As a result, the Commission replaced the cost reported by each exporter was replaced with a competitive market substitute.

As it is the Commission's intention in this inquiry to also further consider whether the cost of stainless steel cold rolled coil incurred by the selected exporters during the inquiry period satisfy section 43(2) of the *Customs (International Obligations) Regulations 2015*, the preliminary dumping margin determined as a result of the verification process will not be published. The Commission's proposal regarding the treatment of stainless steel costs, and the resulting impact on each exporter's dumping margin, will be outlined in the Statement of Essential Facts.

## 12 SUBSIDIES

For the operation of the current anti-dumping and countervailing duty measures, exports of the goods to Australia by Rhine are subject to the rates applicable to the residual exporters category.<sup>9</sup> As a result, it is necessary to examine the level of subsidisation that is applicable to Rhine's exports of the goods during the inquiry period.

### 12.1 Program 1 - Raw Materials Provided by the Government at Less than Fair Market Value

In the original investigation, the Commission found that exporters received a financial contribution that conferred a benefit through the provision of 304 grade stainless steel (SS) cold rolled coil (CRC) at less than adequate remuneration (LTAR) by SOE and SIE manufacturers. For the purpose of this verification, the circumstances relevant to the original investigation are considered to apply.

To establish whether the cooperating exporters in this inquiry received a benefit under program one, the verification team collected information on whether the raw material was supplied by and/or manufactured by a State Invested Enterprise (SOE) or State Invested Enterprise (SIE). In the data relating to its purchases of stainless steel cold rolled coil provided at G-7.4 of its REQ. At H-2 of its REQ Rhine reported it did not receive any assistance or benefits from SIEs in relation to its stainless steel purchases.

In the worksheet provided in relation to G-7.4 of its REQ Rhine identifies the manufacturers of the stainless steel it purchased. One of the manufacturers of the stainless steel sourced by Rhine was found to be the same as that reported by the two exporters who were subject to on-site verification visits and were also not found to be a public body. However, in relation to another of its suppliers, the verification team was unable to establish the public body status of this company upon an examination of publicly available information. Further, Rhine reported a material quantity of stainless steel purchases that were described as "*Goods received but not invoiced*" in the same column that the REQ required the identification of the manufacture/supplier to be reported. In addition, in the same column, it also reported negative quantities which were described as "*Offsetting goods received but not invoiced*".

Having regard to the available information, the verification team is not satisfied that Rhine did not purchase its SS CRC from a public body. As a result, the verification team refers this issue to the case manager for further consideration to establish whether the circumstances applicable under program one should apply to Rhine.

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<sup>9</sup> Table 7, Section 6.3.2, *Anti-Dumping Commission Report No.238*, p.32.



## **12.2 Tax benefits**

In the original investigation, the Commission found that exporters received a benefit through preferential tax policies. For the purpose of this verification, the circumstances relevant to the original investigation are considered to apply.

The verification team examined the information provided by Rhine to determine if it received a benefit under any of these programs.

Specifically, the verification team examined the income tax information in the form of tax returns for the 2018 financial year ended 31 December and proof of payment documents provided with its REQ and Rhine's response to H-3 of the REQ. The examination of these documents found that Rhine had received a benefit under the following program;

- Program 8 - Tax preference available to companies that operate at a small profit.

As noted above, the benefit conferred under Program 8 was identified in relation to Rhine's 2018 tax year. As the inquiry period covers the second half of 2018, the value of the subsidy has been attributed across the Australian exports sales value and total company sales revenue relevant to the inquiry period. The difference between the attribution ratio calculated for the 2018 tax year and the inquiry period was in absolute terms found to be negligible, i.e. 0.4%.

Notwithstanding that the benefit received in relation to Program 8 was for the 2018 tax year, the verification team considers it reasonable to apply the benefit received in 2018 as if it had applied to the inquiry period on the basis that the variance between the attribution ratios discussed in the previous paragraph was negligible.

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

## **12.3 Financial Grants**

Rhine stated at H-4 of its REQ that it did not receive any financial grants during the inquiry period. The verification team did not find any evidence that Rhine received any financial grants in the inquiry period.

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

## **12.4 Preferential interest rate/loans**

Rhine stated at H-5 of its REQ that it did not receive any preferential interest rates or loans during the inquiry period. The verification team did not find any evidence that Rhine received any preferential interest rates or loans in the inquiry period.

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

## **12.5 Subsidy margin**

The verification team found that Rhine received a benefit in relation to Program 8. Pending further consideration regarding the applicability of Program 1, the subsidy margin has been calculated as follows.

On the basis that the case management team finds Program 8 to be a countervailable subsidy, the verification team has calculated a preliminary subsidy margin for Rhine during the investigation period to be **0.3 per cent**.

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

**13 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	NOT PUBLISHED
<b>Confidential Appendix 6</b>	Subsidy Margin
<b>Confidential Attachment 1</b>	Verification work program