



Australian Government
**Department of Industry, Science,
 Energy and Resources**

**Anti-Dumping
 Commission**

Exporter Verification Report

Verification & Case Details

Initiation Date	23 August 2019	ADN:	2019/100
Case:	Zinc coated (galvanised) steel from China, India, Korea, Malaysia, Taiwan, Vietnam		
Case Number	521		
Exporter	Shandong Guanzhou Dingxin Plate Technology Co Ltd and Guanxian Lianhao Metal Material Co Ltd.		
Location	Shandong, China		
Verification from	20/11/2019	to	25/11/2019
Review Period	1/07/2018	to	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 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Shandong Guanzhou Dingxin Plate Technology Co., Ltd (Dingxin) is a privately owned company located in Guan County, Shandong, China. Dingxin is involved in the manufacture and processing of steel products. During the review period, Dingxin manufactured zinc coated (galvanised) steel, the goods subject to this review (the goods), and sold it to Australia through its related trading company, Guanxian Lianhao Metal Material Co., Ltd (Lianhao).

1.2 Relationship between Dingxin and Lianhao

Lianhao is a trading company for Dingxin. It acts as the trading platform for Dingxin's domestic and export sales. At the start of the review period, Dingxin sold the goods to Lianhao who paid for the goods after on-selling them. During the review period, this arrangement changed when Dingxin started to provide a tolling service to Lianhao. The tolling service involves Lianhao paying Dingxin to manufacture goods on its behalf. Lianhao provided the raw material for these transactions.

During the verification, it became apparent that:

- Dingxin and Lianhao share the same management and sales team;
- Dingxin and Lianhao share the same operating premises;
- Dingxin and Lianhao share the same operation and accounting system and the same accounts team;
- Dingxin regulate production and production planning of the goods; and
- Dingxin is aware of all price negotiations between Lianhao and its customers.

In view of the interdependent structural and commercial relationship between Dingxin and Lianhao, the verification team considers it appropriate to treat the two companies as a single entity (hereafter referred to as the company).

1.3 Related Parties

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

1.3.1 Related suppliers

The verification found that the company purchased raw materials from related and unrelated suppliers. The verification team examined the raw material purchases from the related supplier and found that the related supplier did not manufacture the raw material. In all instances, the raw material was manufactured by an unrelated party.

1.3.2 Related customers

The verification team found that, during the review period, Dingxin made domestic sales of the goods to related parties. These sales were made by Dingxin and also through its related trading company, Lianhao.

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2 THE GOODS AND LIKE GOODS

2.1 Production Process

Dingxin purchases steel coil which undergoes the pickling and galvanising process to produce the goods and like goods.

2.2 Model Control Codes (MCCs)

Dingxin and Lianhao provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in ADN 2019/100.

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it necessary to make amendments to the MCC structure.

No.	Exception	Resolution
1	Dingxin and Lianhao were unable to provide cost details for the mandatory category of steel grade as its production system did not record this information.	When calculating a normal value, the verification team were unable to take into account steel grade costs as the company were unable to provide the information.
2	The verification team found that the following categories have no effect on price comparability as they were the same for all goods and like goods: <ul style="list-style-type: none">Alloy coating (all sales were categorised as non-alloy);Coating type (all sales were categories as zinc coated); andForm (all sales were coiled).	The verification team did not have regard to the following categories in the MCC structure: <ul style="list-style-type: none">Alloy coating;Coating type; andForm.

Table 1 Amendments to the MCCs

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Prime	All sales were categorised as prime.
Steel base (cold rolled/ hot rolled)	The first three digits of the product code identify the workshop the product was made in. The company has four workshops and it is easily identifiable which steel base was produced in which workshop, eg. Workshop 1 produces hot rolled products of > 2mm base metal thickness.
Coating mass	The company was able to identify the coating mass from the product code. This was cross referenced to the sales contract.
Steel grade	While the production system does not record steel grade, the company was able to identify which the steel grades of sales from the product number. This was cross referenced to the sales contract.
Base metal thickness	The company was able to identify the base metal thickness from the product code. This was cross referenced to the sales contract.

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Width	The company was able to identify the width from the product code. This was cross referenced to the sales contract.
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Table 2 MCC sub-category determination

2.4 The goods exported to Australia

The verification team were satisfied that Dingxin produced and exported the goods to Australia. Dingxin exported the goods to Australia with the following MCCs during the period:

P-C-2-NA-3-B	P-C-3-NA-3-B	P-H-3-NA-7-B
P-C-2-NA-4-B	P-C-3-NA-4-B	P-H-3-NA-8-B
P-C-2-NA-5-B	P-C-3-NA-5-B	P-H-3-NA-8-C
P-C-2-NA-6-B	P-C-3-NA-6-B	

2.5 Like goods sold on the domestic market

The verification team were satisfied that the company 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 (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 facilities, using the same raw material inputs and manufacturing processes;
- the goods 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.

Both Dingxin and Lianhao sold like goods on the domestic market with the following MCCs during the period:

P-C-1-NA-1-B	P-C-4-NA-4-B	P-C-4-NA-7-B	P-C-1-NA-6-A
P-C-1-NA-1-C	P-C-4-NA-5-B	P-C-5-NA-7-B	P-C-1-NA-7-A
P-C-1-NA-2-A	P-C-4-NA-6-B	P-H-4-NA-7-C	P-C-1-NA-7-B
P-C-1-NA-2-B	P-C-5-NA-4-B	P-H-4-NA-7-B	P-C-1-NA-7-C
P-C-1-NA-2-C	P-C-5-NA-5-B	P-H-4-NA-8-A	P-C-2-NA-3-A
P-C-1-NA-3-A	P-C-5-NA-6-B	P-H-4-NA-8-B	P-C-2-NA-6-A
P-C-1-NA-3-B	P-H-1-NA-7-A	P-H-4-NA-8-C	P-C-2-NA-7-A
P-C-1-NA-3-C	P-H-1-NA-7-B	P-H-5-NA-7-B	P-C-2-NA-7-B
P-C-1-NA-4-B	P-H-1-NA-7-C	P-H-5-NA-8-A	P-C-2-NA-7-C
P-C-1-NA-4-C	P-H-1-NA-8-A	P-H-5-NA-8-B	P-C-3-NA-7-A
P-C-1-NA-5-B	P-H-1-NA-8-B	P-H-5-NA-8-C	P-C-3-NA-7-B
P-C-1-NA-5-C	P-H-1-NA-8-C	P-C-1-NA-1-A	P-C-3-NA-7-C
P-C-1-NA-6-B	P-H-2-NA-7-B	P-C-1-NA-5-A	P-C-4-NA-7-A
P-C-1-NA-6-C	P-H-2-NA-7-C	P-C-3-NA-3-C	P-H-3-NA-8-B
P-C-2-NA-1-B	P-H-2-NA-8-A	P-C-3-NA-4-B	P-H-3-NA-8-C
P-C-2-NA-2-B	P-H-2-NA-8-B	P-C-3-NA-4-C	P-H-4-NA-7-A
P-C-2-NA-2-C	P-H-2-NA-8-C	P-C-3-NA-5-B	P-C-2-NA-5-B
P-C-2-NA-3-B	P-H-3-NA-7-A	P-C-3-NA-5-C	P-C-2-NA-5-C

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P-C-2-NA-3-C	P-H-3-NA-7-B	P-C-3-NA-6-A	P-C-2-NA-6-B
P-C-2-NA-4-B	P-H-3-NA-7-C	P-C-3-NA-6-B	P-C-2-NA-6-C
P-C-2-NA-4-C	P-H-3-NA-8-A	P-C-3-NA-6-C	P-C-3-NA-3-B

2.6 Like goods – assessment

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

¹ 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:

- The company's total company revenue in its 2018 Income Statement reconciled to its 2018 Tax Return with no variance. Both Dingxin and Lianhao provided audited financial statements
- The total revenue for 2018 reconciled to its main income and other income ledgers
- The main income ledger reconciled to detailed sales ledgers
- The detailed sales ledgers reconciled to the export and domestic sales listing submitted in the REQ
- Source documents were provided to verify products that were listed in the detailed sales ledger as not the goods under consideration.

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

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by the company is complete and relevant.

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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 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 Exceptions during verification of sales accuracy

No.	Exception	Resolution
3	The company provided a revised sales listing which showed 211 domestic invoices/transactions that were sales of non-prime products	The verification team checked the sales contract of selected amended transactions to ensure these represented sales of non-prime products. No discrepancies were found.
4	The company provided a revised export sales listing with amended coating mass for two sales and amended handling fees.	The company explained that coating mass was a typographical error. The verification team checked source documents and are satisfied that the amended the coating mass was correct. The original listing sales listing contained the total handling fees incurred for all Australian sales divided by the total weight. The amended sales listing stated actual handling fees incurred for each shipment. The total weight was the same as previously reported. The verification team verified the amended handling fee.
5	Dingxin and Lianhao provided two domestic sales spreadsheets. Lianhao's domestic spreadsheet contained goods that were purchased from Dingxin and goods that were manufactured by Dingxin as part of the tolling arrangement. In Lianhao's spreadsheet, there were a number of transactions where the origin (purchased directly from Dingxin or through the tolling arrangement) was unidentifiable.	The verification team amalgamated the sales spreadsheets and in order to ensure that sales were not double counted, removed all sales between Dingxin and Lianhao.

Table 3 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

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

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5 VERIFICATION OF COST TO MAKE AND SELL (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:

- For both companies, Dingxin provided audited financial reports for the calendar year 2018 and trial balances from its accounting systems.
- The 2018 trial balance from its accounting system showing the costs for 2018, including the "other costs". "Other costs" includes costs from sales of raw material and costs of processing goods for related companies.
- For each month of the review period, Dingxin provided a monthly trial balance.

The visit team verified the relevance and completeness of the SG&A data by examining the accounts for SG&A during the review period.

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

5.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
6	Dingxin's SG&A contained a negative entry. It explained that a shipping expense was wrongly entered in 2017 and this was the entry that corrected that expense.	Dingxin provided evidence that the entry was a correcting entry. The verification team amended the SG&A listing to remove the correcting entry as it was not incurred during the review period.
7	Dingxin classified freight as a direct selling expense. This was in direct conflict with Dingxin's domestic sales listing which showed all sales were sold on an ex works (EXW) basis.	The verification team amended the SG&A listing to show that freight was not a direct selling expense. Freight costs were also removed from Dingxin's upwards selling expense reconciliation table.
8	Dingxin and Lianhao provided two CTMS spreadsheets.	The verification team amalgamated the two cost to make spreadsheets, including SG&A.

Table 4 Exceptions during verification of completeness and relevance of CTMS data

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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 the company, including any required amendments as outlined as an exception above, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (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 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**.

Table 5 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs was allocated to the GUC based on actual consumption as stated in the production system.
Manufacturing Overheads	Manufacturing overheads was allocated to the GUC based on actual consumption as stated in the production system.
Labour	Labour was allocated to the GUC based on actual consumption as stated in the production system.
Depreciation	Depreciation was allocated to the GUC based on actual consumption as stated in the production system.

Table 5 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
9	The company separated raw material into base steel cost and other material cost using a simple formula. The company was unable to show the basis of the allocation.	As the verification team was not satisfied the allocation was based on actual consumption, the company agreed that the total raw material cost would be used for the purposes of any costs replacement.

Table 6 Exceptions during verification of CTMS allocation method

For the models sold by Dingxin and Lianhao, there were 18 models with no production during the review period. The verification team constructed the cost to make information on the nearest comparable model in the MCC and adjusted for differences in the cost to make.

6.3 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.

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

6.4 Related party suppliers

The companies purchased raw materials from a related party, Shandong Guanzhou, and Lianhao purchased raw material from Dingxin, during the review period.

The verification team tested the purchase price for these purchases and found that they were in line with the raw material purchase prices from unrelated entities.

7 EXPORT PRICE

7.1 The importers

The verification team considers the Australian customer to be the beneficial owner of the goods at the time of importation and therefore the importer as importer is:

- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

In relation to the goods exported by the company 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

As detailed in section 1.1, the verification team considers the company (Dingxin as the manufacturer and Lianhao as its trading arm) to be the exporter of the goods², as the company is:

- the manufacturer 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;
- arranges and pays for the ocean freight and marine insurance;

The verification team were satisfied that for all Australian export sales during the period the verification team considers the company to be the exporter of the goods.

7.3 Arms length

In respect of the 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

² 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.

³ Section 269TAA of the Act refers.

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

7.4 Export Price – assessment

In respect of Australian sales of the goods by the company, 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

8.1 Arms length

In respect of Dingxin's domestic sales of like goods to its related customer 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.⁴

The verification team therefore considers that all domestic sales made by Dingxin to its related customer during the period were arms length transactions.

The verification team compared the weighted average selling price of the same models sold to the related and related parties and found that the prices were comparable.

8.1.1 Unrelated customers

In respect of Dingxin's domestic sales of like goods to its unrelated 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 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 all domestic sales made by the company to its unrelated domestic customers during the period were arm's length transactions.

8.2 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.

⁴ Section 269TAA of the Act refers.

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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.

The following table sets out further detail:

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 review period.

Table 7 OCOT details

8.3 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(ii) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price.

The market situation finding in the original investigation (Case 190), previous continuation inquiry (Case 449) and most recent review of measures (review no. 457) in relation to zinc coated (galvanised) steel exported to Australia from China, rendered domestic prices of those goods unsuitable in determining a normal value under section 269TAC(1). Further analysis of the market situation finding will be included in the statement of essential facts for review no. 521. In the event that a market situation is found, then such sales in that market will not be suitable for use in determining a normal value and therefore the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

8.4 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**.

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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(9).

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic rebates	Rebates are offered for certain domestic customers who purchase above certain quantities.	Weighted average cost based on the actual rebate paid and the actual sales quantities listed in the domestic sales listing.	Y	Y
Domestic inland transport	Inland transport expenses were incurred for domestic sales sold on a “delivered” basis.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the domestic sales listing.	Y	Y
Export inland transport	Inland transport expenses were incurred for all Australian sales.	Weighted average cost based the actual cost incurred and the actual sales quantities listed in the export sales listing.	Y	Y
Export port handling charges	Port handling charges were incurred for all Australian sales.	Weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Y	Y
Export bank charges	Bank charges were incurred for all Australian sales.	Weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Y	Y

Table 8 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments under section 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
Domestic rebates	Deduct an amount for domestic rebates
Domestic inland transport	Deduct an amount for domestic inland transport
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for port handling charges
Export bank charges	Add an amount for export bank charges

Table 9 Summary of adjustments

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

10 NORMAL VALUE

As stated in chapter 8 above, in the event that the Commission finds there is a situation in the market of the country of export is such that sales in that market are not suitable for use in determining a normal value, then the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

The verification team therefore recommends that normal values be constructed under section 269TAC(2)(c) using the sum of:

- the cost to make that reasonably reflects competitive market costs in accordance with section 43(2) of the *Customs (International Obligations) Regulation 2015* (the Regulation); plus
- 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; plus
- 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.

However, due to the claim that steel prices in China do not reasonably reflect competitive market costs within the meaning of section 43(2) of the Regulations, the verification has referred the calculation of the cost of production to the case management team.

Therefore, the verification team is not able to determine a normal value for the goods exported to Australia by the company during the period and has referred this to the case management team.

The verification team recommends that 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.

11 DUMPING MARGIN

As detailed in Chapter 10 above, normal values have not been determined as part of the verification process. As such, the verification was not able to calculate a dumping margin in respect of the goods exported to Australia by the company for the review period. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.

12 Subsidies

12.1 Less than adequate remuneration

The verification team verified the completeness, relevance and accuracy of the raw material purchase listings provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

The verification team also collected information on whether the raw material was supplied by and/or manufactured by a State Invested Enterprise.

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

12.2 Tax benefits

The verification team verified the income tax information provided in the REQ by reconciling the information to the tax returns and proof of payment documents.

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

12.3 Financial Grants

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ by reconciling the listing by reconciling the listing up to the general ledger and down to source documents.

The verification team did not identify any issues during this process. 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

The verification team verified the completeness, relevance and accuracy of the financial loans listing provided in the REQ by reconciling the listing by reconciling the listing up to the general ledger and down to source documents.

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

PUBLIC RECORD

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Attachment 1	Verification work program