



Exporter Verification Report

Verification & Case Details

Initiation Date	23 August 2019	ADN:	ADN No. 2019/100
Case	Review of Measures – Zinc Coated (Galvanised) Steel		
Case Number	521		
Exporter	Prosperity Tieh Enterprise Co., Ltd.		
Location	Taiwan		
Review Period	1 July 2018 to 30 June 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

Prosperity Tieh Enterprise Co., Ltd. (Prosperity), is a Taiwan based company that is not publicly listed. Prosperity manufactures steel products including cold-rolled steel, hot-dipped galvanised steel, hot-dipped galvalumed steel, and pre-painted steel products. Prosperity produces and sells these steel products in both domestic and export markets.

1.2 Related Parties

Prosperity identified sales to its related domestic customers during the review period.

The Commission's assessment to determine whether the sales between Prosperity and its related entities were arms length transactions is available in section 5.1 of this report.

1.2.1 Related suppliers

Prosperity purchased raw materials from non-related and related suppliers during the review period.¹ The Commission's assessment to determine whether the purchases of raw materials from its related suppliers were arms length is available at section 3 of this report.

1.2.2 Related customers

Prosperity sold the goods under consideration to related and non-related parties customers during the review period.² The Commission's assessment to determine whether the sales between Prosperity and its related entities were arms length transactions is available in section 5 of this report.

1.3 Accounting records

Prosperity's financial statement was audited and includes a statement that the financial accounts comply with generally accepted auditing and accounting standards in Taiwan.³

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Taiwan.

¹ Names of the related suppliers were provided in Prosperity's REQ (confidential version).

² Names of the related customers were provided in Prosperity's REQ (confidential version).

³ Names of the auditor was provided in Prosperity's REQ (confidential version).

2 THE GOODS AND LIKE GOODS

2.1 Production Process

The verification team reviewed Prosperity’s production process of the goods which involve major production steps namely pickling, cold-rolling, zinc coating and slitting/cutting.

At the pickling stage, the hot-rolled coil (HRC) is first processed by passing through hydrochloric acid baths to remove surface scale. At the cold-rolling stage, the pickled HRC is then introduced into the reversing cold-rolling mill to reduce the base metal thickness. The cold-rolled coil is then introduced into the continuous coating line for zinc coating (galvanising). Once coated, the coil is then skin-passed and tension levelled. At this stage, surface treatment such as oiling, chromating, and resin coating is conducted if the customer requests. The final process involves slitting or cutting into one or more narrower coils.

Upon completion, the zinc coated steel coils are then sent to the packing unit for packaging and dispatch.

2.2 MCCs

Prosperity provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in Consideration Report No. 521 and Anti-Dumping Notice (ADN) 2019/100.⁴

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
Alloy content	Prosperity only produces non-alloy product.
Prime	The company was able to identify whether prime or non-prime from its sales and accounting systems.
Steel base	The company was able to identify the steel base from its product code. This was cross referenced to the sales contract.
Coating type	Prosperity only produces zinc coated product.
Coating mass	The company was able to identify the coating mass from its internal specification systems. This was cross referenced to the sales contract.
Steel grade	The company was able to identify the steel grades from its internal specification systems. This was cross referenced to the sales contract.
Base metal thickness	The company was able to identify the base metal thickness from its internal sales systems. This was cross referenced to the sales contract.

⁴ EPR 521 Document #2 www.adcommission.gov.au

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Width	The company was able to identify the width from its internal sales systems. This was cross referenced to the sales contract.
Form	The company was able to identify the form (sheet or coils) from its internal sales systems. This was cross referenced to sales contract.

Table 1 MCC sub-category determination

2.4 The goods exported to Australia

The verification team has examined the information provided by Prosperity in their response to the exporter questionnaire (REQ) and relevant Australian Border Force (ABF) data and is satisfied that based on the information available, Prosperity is a new exporter of the goods and did not export the goods to Australia during the review period.

2.5 Like goods sold on the domestic market

The verification team was satisfied that Prosperity sold like goods in the domestic market.

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

- are not distinguished from the exported goods during production, that is, the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same;
- are produced at the same 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.

Prosperity sold like goods on the domestic market with the following MCCs during the period:

Domestic like goods MCC			
N-P-C-Z-1-A-1-B-C	N-P-C-Z-2-A-6-B-C	N-P-H-Z-2-A-6-A-C	N-P-H-Z-3-A-5-B-C
N-P-C-Z-1-A-2-B-C	N-P-C-Z-2-A-6-C-C	N-P-H-Z-2-A-6-B-C	N-P-H-Z-3-A-5-C-C
N-P-C-Z-1-A-3-C-C	N-P-C-Z-2-A-6-C-S	N-P-H-Z-2-A-6-B-S	N-P-H-Z-3-A-6-A-C
N-P-C-Z-1-C-1-C-S	N-P-C-Z-2-A-7-A-C	N-P-H-Z-2-A-6-C-C	N-P-H-Z-3-A-6-B-C
N-P-C-Z-1-F-4-A-C	N-P-C-Z-2-A-7-C-C	N-P-H-Z-2-A-6-C-S	N-P-H-Z-3-A-6-C-C
N-P-C-Z-2-A-1-A-C	N-P-C-Z-2-C-3-C-C	N-P-H-Z-2-A-7-A-C	N-P-H-Z-3-A-7-C-C
N-P-C-Z-2-A-1-B-C	N-P-C-Z-2-D-1-B-C	N-P-H-Z-2-A-7-B-C	N-P-H-Z-3-A-8-A-C
N-P-C-Z-2-A-1-C-S	N-P-C-Z-2-F-1-B-C	N-P-H-Z-2-A-7-B-S	N-P-H-Z-3-A-8-C-C
N-P-C-Z-2-A-2-B-C	N-P-C-Z-2-F-1-B-S	N-P-H-Z-2-A-7-C-C	N-P-H-Z-3-C-5-C-C
N-P-C-Z-2-A-3-A-C	N-P-C-Z-2-F-4-B-C	N-P-H-Z-2-A-7-C-S	N-P-H-Z-3-C-6-C-C
N-P-C-Z-2-A-3-B-C	N-P-C-Z-3-C-5-C-C	N-P-H-Z-2-A-8-A-C	N-P-H-Z-3-C-7-B-C
N-P-C-Z-2-A-3-C-C	N-P-C-Z-3-F-2-B-C	N-P-H-Z-2-A-8-A-S	N-P-H-Z-3-C-7-C-C
N-P-C-Z-2-A-4-A-C	N-P-H-Z-1-C-6-B-C	N-P-H-Z-2-A-8-B-C	N-P-H-Z-3-C-8-C-C
N-P-C-Z-2-A-4-B-C	N-P-H-Z-1-C-6-C-C	N-P-H-Z-2-A-8-B-S	N-P-H-Z-3-D-5-C-C
N-P-C-Z-2-A-5-A-C	N-P-H-Z-1-C-7-A-C	N-P-H-Z-2-A-8-C-C	N-P-H-Z-3-D-6-A-C
N-P-C-Z-2-A-5-B-C	N-P-H-Z-1-D-6-B-C	N-P-H-Z-2-A-8-C-S	N-P-H-Z-3-D-6-C-C
N-P-C-Z-2-A-5-B-S	N-P-H-Z-1-D-8-C-C	N-P-H-Z-2-C-6-C-C	N-P-H-Z-3-D-7-C-C
N-P-C-Z-2-A-5-C-C	N-P-H-Z-2-A-5-A-C	N-P-H-Z-2-D-6-C-C	N-P-H-Z-3-D-8-B-C

PUBLIC RECORD

N-P-C-Z-2-A-5-C-S	N-P-H-Z-2-A-5-B-C	N-P-H-Z-2-D-8-C-C	N-P-H-Z-3-D-8-C-C
N-P-H-Z-3-E-7-B-C	N-P-H-Z-3-E-6-C-C		

Table 2 Domestic Like Goods Models

2.6 Like goods – assessment

The verification team considers that the goods produced by Prosperity for domestic sale have characteristics closely resembling those of the goods under consideration and are therefore 'like goods' in accordance with section 269T(1) of the *Customs Act 1901* (the Act).⁵

⁵ References to any section or section in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION

3.1 Benchmark verification

The verification team verified the reliability of Prosperity’s export sales, domestic sales and cost data provided in the REQ by benchmarking the data against other verified data.

This involved comparing the data to the following exporters:

- Yieh Phui Enterprise Co., Ltd (Yieh Phui) - subject to a full onsite verification visit⁶; and
- Chung Hung Steel Corporation – subject to a benchmark verification.⁷

The verification team also verified the reliability of the export and domestic sales listings submitted in the REQ by reconciling to the source documentation provided as part of Prosperity’s REQ.

Where the examination of the data in Prosperity’s REQ produced results that were inconsistent with those observed in relation to the verified exporter’s data or other relevant information, the verification team has then escalated the level of verification where necessary for those targeted areas.

During this process, the following issue was identified.

No.	Exception	Resolution	Evidence Relied On
1	Prosperity’s domestic sales included non-prime goods. Non-prime goods are not considered like goods as they do not meet the Australian standard for zinc coated (galvanised) steel.	Non-prime products were removed from the domestic sales listing.	Information provided by Prosperity in relation to product codes and MCC identification.

Table 3 Exceptions during benchmark verification of the data

Details of the benchmark verification assessment and its relevant attachments are contained in **Confidential Attachment 1**.

3.2 Related party suppliers

Prosperity purchased raw materials in the form of HRC from related parties. The verification team analysed the prices of these purchases against those of unrelated suppliers and found the price variance to be minimal. The verification team is therefore satisfied that these raw material purchases represent arms length transactions.

Details of this assessment is contained in **Confidential Attachment 1**.

⁶ EPR 521 Document #20 www.adcommission.gov.au

⁷ EPR 521 Document #22 www.adcommission.gov.au

3.3 Benchmark verification finding

The verification team is satisfied that the export sales, domestic sales and cost data provided by Prosperity, including any required amendments as outlined in the exception table above, are reasonable and can be considered reliable for the purpose of ascertaining variable factors for Prosperity.

Prosperity's cost data are available at **Confidential Appendix 2**.

4 EXPORT PRICE

4.1 Export Price – preliminary assessment

The verification team has found that Prosperity did not export the goods to Australia during the review period. As such, the verification team considers that there is insufficient information to ascertain the export price of the goods under section 269TAB(1) due to an absence in volume of exports during the review period.

Subject to further enquiries by the case management team, the verification team recommends that the export price be determined under section 269TAB(3), having regard to all relevant information. The verification team considers it appropriate to determine the ascertained export price to be the same amount as that determined to be the normal value.

5 DOMESTIC SALES SUITABILITY

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

5.1 Arms length

5.1.1 Related party customers

In respect of Prosperity'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.⁸

The verification team compared the weighted average sales prices between Prosperity's non-related and related customers and found it to be negligible and sharing similar trends. The verification team therefore considers that all domestic sales made by Prosperity to its related customer during the period were arms length transactions.

5.1.2 Unrelated customers

In respect of Prosperity'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 Prosperity to its unrelated domestic customers during the period were arms length transactions.

5.2 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.

⁸ Section 269TAA of the Act refers.

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The verification team tested profitability by comparing the price at ex-works (EXW) against the relevant cost for each domestic sales transaction.

The verification 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 EXW 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 4 OCOT details

5.3 Suitability of domestic sales

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under section 269TAC(1). The domestic sales listing is at **Confidential Appendix 3**.

6 ADJUSTMENTS

The verification team made adjustments to the CTM where a particular MCC had no CTM value for a particular quarter. The details of the adjustments to the CTM are outlined in **Confidential Attachment 1** and **Confidential Appendix 2**.

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).

While Prosperity has not exported the goods under consideration to Australia, these adjustments are considered appropriate to establish a normal value, as if those goods were exported to Australia in the review period.

6.1 Rationale and Method

TAC(8) adjustment type	Assessment for adjustment	Claimed in REQ?	Adjustment required?
Domestic packaging	Different packaging and protection varied between export and domestic sales.	Y	Y
Domestic inland transport	Inland transport expenses were incurred for domestic sales which were not EXW.	Y	Y
Domestic bank charges	Bank charges were incurred for domestic sales	Y	Y
Domestic credit terms	A downwards adjustment to the normal value was applied to domestic customers who were offered credit for their purchase of the goods. Domestic credit terms varied for each customer. The exporter calculated each relevant customers' average accounts receivable turnover days and used the exporter's review period short term borrowing rate to calculate the credit adjustment.	Y	Y
Export packing, inland transport, handling and other charges, and other export costs (credit terms, commissions, and other costs)	An upwards adjustment was made to account for the difference between goods exported to Australia at FOB terms and Prosperity's domestic sales at EXW. Export costs have been calculated based on the weighted average of export costs from verified exporters from Taiwan during the review period.	N	Y

Table 5 Assessment of adjustments to the normal value

6.2 Adjustments to the normal value

The verification team considers the following adjustments under section 269TAC(8) 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 packaging	Deduct an amount for domestic packaging
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic bank charges	Deduct an amount for bank charges
Domestic credit terms	Deduct an amount for domestic credit
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export handling and other charges	Add an amount for handling and other charges
Export other costs	Add an amount for other export costs

Table 6 Summary of adjustments to the normal value

Prosperity's adjustments are included in the normal value calculations at **Confidential Appendix 4**.

7 NORMAL VALUE

The verification team is satisfied it has found sufficient volumes of domestic sales of the goods, 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).

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 a fair comparison of normal values with export prices, as outlined in section 6.

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

8 DUMPING MARGIN

As detailed in section 4 above, noting that Prosperity did not export the goods under consideration during the review period, the ascertained export price has been determined under section 269TAB(3) having regard to all relevant information, being equal to the normal value.

Subject to further enquiries by the case management team, the verification team therefore recommends that any interim dumping duty (IDD) be calculated in accordance with the floor price duty method. For this review, as Prosperity's ascertained export price is taken to be equal to the ascertained normal value, the dumping margin is not applicable, being zero per cent. A variable component of IDD maybe applicable where the actual export price is below the ascertained normal value.

The verification team's preliminary export price and dumping margin calculation is at **Confidential Appendix 5**.

APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Benchmark work program
Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Export price and dumping margin