



Exporter Verification Report

Verification & Case Details

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Case Number	528		
Exporter	China Steel Corporation		
Location	TAIWAN		
Verification from	12/02/2020	to	17/02/2020
Review Period	01/10/2018	to	30/09/2019

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

CONTENTS

CONTENTS	2
1 COMPANY BACKGROUND	4
1.1 CORPORATE STRUCTURE AND OWNERSHIP	4
1.2 RELATED PARTIES	4
2 THE GOODS AND LIKE GOODS	6
2.1 PRODUCTION PROCESS	6
2.2 MODEL CONTROL CODES (MCCs)	6
2.3 VERIFICATION OF MCCS	7
2.4 THE GOODS EXPORTED TO AUSTRALIA	7
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....	7
2.6 LIKE GOODS – ASSESSMENT.....	8
3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	9
3.1 EXCEPTIONS DURING VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	9
3.2 SALES COMPLETENESS AND RELEVANCE FINDING.....	10
4 VERIFICATION OF SALES ACCURACY	11
4.1 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY	11
4.2 SALES ACCURACY FINDING	12
5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE	13
5.1 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....	14
6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY	15
6.1 COST ALLOCATION METHOD	15
6.2 VERIFICATION OF ACCURACY OF CTMS DATA.....	15
6.3 RELATED PARTY SUPPLIERS.....	15
6.4 ACCURACY FINDING.....	16
7 EXPORT PRICE	17
7.1 THE IMPORTERS.....	17
7.2 THE EXPORTER	17
7.3 “ARMS LENGTH”	17
7.4 EXPORT PRICE – ASSESSMENT	18
8 DOMESTIC SALES SUITABILITY	19
8.1 “ARMS LENGTH”	19
8.2 ORDINARY COURSE OF TRADE	20
8.3 SUITABILITY OF DOMESTIC SALES	21
9 ADJUSTMENTS	23
9.1 RATIONALE AND METHOD	23
9.2 ADJUSTMENTS	24
10 NORMAL VALUE	25
11 DUMPING MARGIN	26
12 APPENDICES AND ATTACHMENTS	27
NON-CONFIDENTIAL ATTACHMENT 2 – MCC LIST	28
GOODS EXPORTED TO AUSTRALIA	28
LIKE GOODS SOLD ON THE DOMESTIC MARKET	28

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

China Steel Corporation (CSC) is a publicly traded company listed on the Taiwan Stock Exchange. Established in 1971, it manufactures and sells a variety of steel products for both the domestic and export market, including Australia. Its main products are hot rolled coils and sheets, cold rolled coils and sheets, wire rods, steel plates, and steel bars.

CSC is a parent company with a large number of subsidiaries. This includes Dragon Steel Corporation (DSC), who is also a manufacturer of the goods, and China Steel Global Trading Corporation (CSGT) who manages export sales on behalf of both CSC and DSC.

1.2 Related Parties

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

1.2.1 Related suppliers

For CSC's production of the goods, CSC purchased some of its hot rolled band and steel slab from two related suppliers, respectively. All of the goods produced by DSC were sold by CSC on behalf of DSC on the domestic and Australian markets.

For DSC's production of the goods, DSC purchased some of its coal from CSC.

See chapter 6.3 for arms length assessment.

1.2.2 Related customers

Australian customers

The verification team is satisfied that CSC is unrelated to its Australian customers.

Domestic customers

The verification team identified a number of related domestic customers. See chapter 8.1.1 for further discussion.

1.2.3 Accounting records

CSC, DSC and CSGT audited financial statements were audited by Deloitte & Touche.

The CSC statement states that the financial accounts comply with the Regulations Government the Preparation of Financial Reports by Securities Issuers.

The DSC statement states that the financial accounts comply with the requirements of the "Regulation Governing the Preparation of Financial Reports by Securities Issuers", "International Financial Reporting Standards", "International Accounting Standards", "International Financial Reporting Interpretations Committee" and "Standing Interpretations Committee" as endorsed by the Financial Supervisory Commission.

PUBLIC RECORD

The CSGT statement states that the financial accounts are in accordance with the requirements of the Business Entity Accounting Act, the Regulation on Business Entity Account Handling relevant to the preparation of financial statements, and International Financial Reporting Standards, International Account Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

The goods are produced by both CSC and DSC. Both are integrated steel mills and follow the same process for producing the goods.

Coal and iron ore are fed into the coke oven plant and sinter plants respectively. Molten hot metal is produced using the raw materials through the iron making process, through the blast furnace and basic oxygen furnace, where oxygen is blown through the molten hot metal to convert the molten metal into liquid steel. Refined liquid steel from the basic oxygen furnace is sent through the Slab Continuous Casting process where it is poured into moulds, cooled, pulled into arc-shape strands, straightened and then cut into pieces to produce slab.

After the slab is formed, it is heated by the reheating furnace in preparation for hot rolling.

The first step in hot rolling is the roughing mill. The slab is passed through this mill for intermediate rolling to a particular thickness and width for finishing rolling. It is processed through the hot strip mills to produce the goods. The finishing mill further reduces the slab's thickness to meet the required specifications. The finishing temperature, strip profile, flatness and surface quality are also controlled to meet requirements.

The strip is then cooled by the laminar flow cooling system, which sprays water over the strip to rapidly cool it to the desired coiling temperature. Once cooled, the steel is tested and inspected for mechanical and chemical properties and rolled into a coil on the down coiler.

Then the rolled coil may be passed through one of a number of different lines depending on the required specifications and surface treatments. For example, the coil may go to the pickling and oiling line, where it is uncoiled, pickled, tempered in the "skin pass" mill, trimmed, oiled and then recoiled and packed. Alternatively, it may be passed through the light gauge shearing line to be uncoiled, trimmed, sheared, levelled and then packed as hot rolled sheets.

2.2 Model Control Codes (MCCs)

CSC provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in ADN 2019/128 and File Note (Document No. 5) on the public record.

2.2.1 Amendments to MCCs

CSC made the following amendments to the MCC structure, which it advised were required due to the way its accounting system treats non-prime products.

No.	Exception	Resolution
1	CSC introduced grade category "06".	CSC's accounting system does not record the grade category for overrun products that are not subject to the original customer order and are non-prime. As such, grade category "06" are designated for these products.

2	CSC introduced thickness category "T0".	Products with this thickness designation related solely to non-prime products, for which the accounting system did not capture thickness.
3	CSC introduced thickness category "W0".	Products with this width designation related solely to non-prime products, for which the accounting system did not capture width.

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
Quality	CSC's sales module in the ERP captures information on prime and non-prime, as per the internal product codes.
Form	CSC's sales module in the ERP captures information on straight and coil, as per the internal product codes.
Surface condition	CSC's sales module in the ERP captures information on 'as rolled' or pickled and/or oiled, as per the internal product codes,
Standard/Grade	CSC used a combination of internal product code classification and internal 'price extras' list to classified grades to the MCC sub-categories using its 'price extras' lists. For added category "06" for downstream/leeway products, the sales module in the ERP captures this information. "06" is associated with non-prime products.
Thickness (BMT)	CSC's sales module in the ERP captures information on specific thickness according to internal product codes, which CSC could sort into each thickness category. For added category "T0" relating to non-prime, the sales module in the ERP does not capture information on thickness.
Width	CSC's sales module in the ERP captures information on specific width according to internal product codes, which CSC could sort into each width category. For added category "W0" relating to non-prime, the sales module in the ERP does not capture information on width.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

The verification team were satisfied that CSC produced and exported the goods to Australia. A list of MCCs exported by CSC to Australia during the review period are at **Non-confidential Attachment 2**.

2.5 Like goods sold on the domestic market

The verification team were satisfied that CSC 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 are the same);
- are produced at the same facilities, using the same raw material inputs (being iron ore and coal) and manufacturing processes; and
- can be considered functionally and commercially alike, as they have similar end uses.

A list of MCCs sold by CSC on the domestic market during the review period are at **Non-confidential Attachment 2**.

2.6 Like goods – assessment

The verification team considers that the goods produced by CSC 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.

As CSC and DSC are two separate legal entities with their own separate financial accounting systems, each company went through an upwards verification.

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 the audited financial statements of CSC and DSC in accordance with ADN. No 2016/30.

The verification team verified the relevance and completeness of the sales data for both CSC and DSC as follows:

- Reconciling total sales as reported in the general sales ledger to the total of all sales as reported in the Australia, domestic and third country sales spreadsheets provided as part of the REQ;
- Reconciling total sales as reported in the general sales ledger to the ERP sales system to determine volumes of Australia, domestic and third country sales;
- Reconciling volumes of products sold to the extracts of Sales Statements covering the review period; and
- Tracing totals as reported in the Sales Statements to Income Statements covering the review period and then reconciling Income Statements for that part of the review period in 2018 to the 2018 Audited Financial Statement.

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**.

3.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
2	<p>Revised Australian Sales Listing</p> <p>Minor amendments were made to the reported values in the Australian sales spreadsheets for "Inland Transport", "Custom Brokerage Fee", "Other loading costs & THC Fee", "Other costs – Harbour Service Fee" and "Other costs – Trade Promotion Charge".</p>	CSC provided revised Australian sales data at the commencement of verification. The cumulative impact of these changes was considered immaterial by the verification team and did not affect the net invoice value total.
3	<p>Revised Domestic Sales Listing</p> <p>Minor adjustments were made to the reported values in the Domestic sales spreadsheets as a result of sales returns in the post-review period</p>	CSC provided revised domestic sales data at the commencement of verification. The cumulative impact of these changes was considered immaterial by the verification team and was noted only to affect CSC sales (not DSC).

PUBLIC RECORD

	relating to invoices originally included in the domestic sales data.	The domestic sales data used in the upwards sales reconciliation for CSC and DSC was revised accordingly by the verification team, and a row has been added to the CSC upwards reconciliation recognising these adjustments.
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Table 3 Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by exporter, including any required amendments as outlined in the exception table above, 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 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
4	<p>Revised Australian Sales – Packing Costs</p> <p>Unit packing costs for “Pickled” goods exported to Australia (i.e. goods classified as MCC Category 3 “PI”) were revised in accordance with the source data examined during verification.</p>	The verification team has adjusted the unit packing costs for “Pickled” goods in the Australian sales spreadsheet.
5	<p>Revised Australian Sales Listing – Commission rates</p> <p>A discrepancy was found between the commission rates payable by DSC to CSC for 2019 as reported in the Australian sales spreadsheet compared to the rates in the Commission Agency Agreement between DSC and CSC, as amended by a memo dated 28 August 2018.</p>	CSC provided revised Australian sales data correcting the error in relation to the commission rate in 2019. Sales for 2018 were unchanged.
6	<p>Revised Domestic Sales – MCC classification for Leeway and Secondary goods</p> <p>The thickness and width of leeway or secondary goods, which are classed at a standard/grade of “06” cannot be ascertained from the source documentation provided by CSC.</p> <p>Non-prime goods have thicknesses and widths reported as “T0” and “W0” respectively within the domestic sales data, meaning that their width is unknown. However, Prime goods at a standard/grade of “06” have their thicknesses and widths reported as “T3” and “W2” despite a lack of detail within the source documentation.</p>	The verification team has amended the domestic sales data so that the thicknesses and widths of goods at a standard/grade of “06” are changed to “T0” and “W0” respectively, regardless of whether they are classed as Prime or Non-prime.
7	<p>Revised Domestic Sales Listing – Commission rates</p> <p>A discrepancy was found between the commission rates payable by DSC to CSC for 2019 as reported in the domestic sales spreadsheet compared to the rates in the Commission Agency Agreement between DSC and CSC, as amended by a memo dated 28 August 2018.</p>	CSC provided revised domestic sales data correcting the error in relation to the commission rate in 2019. Sales for 2018 were unchanged.
8	<p>Revised Domestic Sales Listing – Sales to related customer</p>	The verification team removed sales to one related customer from the domestic sales listing.

	Sales to one related customer are considered to be non-arms length transactions – see chapter 8.1.	
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Table 4 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by CSC, 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**.

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 and audited financial accounts, with particular attention given to specific expenses that were excluded or should be excluded.

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

For each of CSC and DSC, the verification team verified the relevance and completeness of the cost data as follows:

- the total cost of good sold for calendar year 2018 was traced from the audited 2018 financial statements to the internal income statements;
- 'other operating costs' for were removed to obtain the main operating costs for calendar year 2018;
- using the internal income statements for year-ending September 2018, year-ending September 2019 and calendar year 2018, the cost of goods sold was converted to the review period;
- the cost of goods sold for the review period was converted to cost of production by adjusting for change in finished goods inventory and work-in-progress inventory;
- the inventory ledgers included amounts for purchased product, which were removed to obtain an accurate cost of production;
- based on the classification of product types in the finished goods inventory ledger, the cost of production for the goods was obtained; and
- the cost of production for the goods was split into domestic and Australian markets based on the relevant MCCs sold to those markets during the review period, and these amounts were verified to the CTM information provided in the REQ.

For each of CSC and DSC, the verification team verified the relevance and completeness of the SG&A listing as follows:

- the total SG&A cost for calendar year 2018 was traced from the audited 2018 financial statements to the internal income statements;
- using the internal income statements for year-ending September 2018, year-ending September 2019 and calendar year 2018, the SG&A cost was converted to the review period; and
- the SG&A cost for the review period was reconciled to the SG&A listing.

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**.

5.1 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by CSC and DSC 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 for CSC and DSC to the relevant MCCs, in accordance with ADN No. 2016/30.

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**.

Table 6 below outlines the allocation method applied to each cost item.

Cost item	Allocation method applied for the goods
Raw Materials	Raw material costs are allocated based on production quantity.
Scrap Allocation	Scrap offsets are allocated based on a mix of recycled quantity and sales quantity.
Manufacturing Overheads	Manufacturing overheads are generally allocated based on production quantity, with some overheads items being allocated on machine time.
Labour	Direct labour are allocated based on production quantity.
Depreciation	Depreciation is allocation based on machine time.
Variance	On a monthly basis, variance ratios are calculated for each of direct materials, direct labour and manufacturing overheads, which are applied to all standard costs for the purpose of adjusting to actual costs. As such, the cost of production reflect actual costs.

Table 6 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 for CSC and DSC by reconciling it to source documents in accordance with ADN No. 2016/30.

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

No.	Exception	Resolution
9	The verification team considers the issue identified in Exception No. 6 in relation to standard/grade of "06" also impacts the CTMS information.	Consistent with the resolution for Exception No. 6, the verification team revised the MCC information in the domestic CTM listing in relation to standard/grade of "06".

Table 5 Exceptions during verification of accuracy of CTMS data

6.3 Related party suppliers

6.3.1 CSC purchases from related suppliers

For CSC's production of the goods, the majority of steel slab, which is the input for hot rolled band, was manufactured by CSC. However, during the period a minor quantity was purchased from a related entity to produce the goods. Having regard to cost accounting reports for CSC's steel slab, the verification team identified that the unit cost for purchased steel slab reflected the related entity's fully absorbed cost to make, and the unit cost was higher than CSC's own-produced steel slab. The verification team considers that CSC's purchases of steel slab from a related entity were arms length transactions.

During the period, a negligible quantity of steel slab was purchased from another related entity.

Based on the REQ and information verified, the verification team did not identify any other purchases from related suppliers that relate to CSC's production of the goods.

6.3.2 DSC purchases from related suppliers

All of the goods produced by DSC were sold by CSC on behalf of DSC on the domestic and Australian markets. This is discussed in section 7.2.

For DSC's production of the goods, DSC purchased a negligible quantity of coal from CSC during the period. For the coal purchase, the verification team observed the relevant invoices between CSC and DSC, and CSC and its unrelated supplier, and found that the CSC's unit price to DSC reflected an arms length transaction.

Based on the REQ and information verified, the verification team did not identify any other purchases from related suppliers that relate to DSC's production of the goods.

6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by CSC and DSC is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

The verification team considers CSC's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer as:

- the customer is named as the buyer on the sales contract;
- the customer is named as the recipient of the commercial invoice and packing list;
- export sales are sold on an FOB basis, meaning that the Australian customer is responsible for the importation of the goods into Australia; and
- the customer is named as the buyer on the customs export declaration.

In relation to the goods exported by CSC 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

The verification team considers CSC to be the exporter of the goods², as while CSC and DSC both manufacture the goods:

- CSC manufactures the goods located in the country of export;
- goods manufactured by DSC are purchased by CSC, who then exports those goods;
- CSC is named as the seller on the sales contract;
- CSC is named as the issuer on the commercial invoice and packing list;
- CSC is named as the exporter on the customs export declaration;
- CSC is named as the supplier on the bill of lading;
- CSC arranges for transportation of the goods to the port of export;
- CSC pays for the port handling charges for the goods exported to Australia; and
- CSC knows that the goods are destined for Australia.

The verification team were satisfied that for all Australian export sales during the period, CSC is considered to be the exporter of the goods.

7.3 "Arms length"

7.3.1 Unrelated customers

In respect of CSC's Australian sales of the goods to its 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

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.

PUBLIC RECORD

- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.³

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

7.4 Export Price – assessment

In respect of Australian sales of the goods by CSC, 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**.

³ Section 269TAA of the Act refers.

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 “Arms length”

8.1.1 Related party customers

Sales not at “arms length”

In respect of CSC’s domestic sales of like goods to one of its related 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 their price; 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

However, the verification team found evidence that 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 as:

- the related customer is partially owned by CSC; and
- the related customer pays a lower per unit price than unrelated and other related customers, taking into account purchasing volume and models of the goods purchased.

The verification team therefore considers that domestic sales made by CSC to this related customer during the period were not “arms length” transactions, pursuant to section 269TAA(1)(b).⁵

Sales at “arms length”

In respect of CSC’s domestic sales of like goods to its related customers during the period, other than one related customer, 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.⁶

The verification team therefore considers that all domestic sales made by CSC to its related customers, other than one related customer, during the period were “arms length” transactions.

“Arms length” assessment

⁴ See section 269TAA(1)(c).

⁵ The Commission notes that the finding in this report that the sales to SSAB AU did not take place on an arms length basis relates to the assessment of export prices for anti-dumping purposes under section 269TAB of the Act. It is not an assessment of SSAB EMEA’s transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

⁶ Section 269TAA of the Act refers.

In making its assessment regarding “arms length” transactions to related parties, the verification team noted:

- CSC states that customer terms of sale and prices do not vary as between related and unrelated customers, with pricing set based on primarily the cost trend and market conditions;
- pricing guides provided to the verification team did not indicate any price difference between customers; and
- prices between related and unrelated customers were comparable, taking into account purchasing volume and models of the goods purchased.

8.1.2 Unrelated customers

In respect of CSC’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 CSC 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.

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:

PUBLIC RECORD

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

Table 6 OCOT details

8.3 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 under 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*, where the total volume of like 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 below:

Export MCCs	Sufficient domestic sales of identical MCC	Treatment of normal value where there were insufficient domestic sales of identical MCC
P-C-A-01-T1-W2	Y	
P-C-A-01-T2-W2	Y	
P-C-A-01-T3-W1	Y	
P-C-A-01-T3-W2	Y	
P-C-A-01-T4-W2	Y	
P-C-A-02-T1-W2	Y	
P-C-A-02-T2-W2	Y	
P-C-A-02-T3-W1	Y	
P-C-A-02-T3-W2	Y	
P-C-A-03-T2-W2	Y	
P-C-A-03-T3-W2	Y	
P-C-A-04-T1-W2	N (no domestic quantity)	Surrogate model P-C-A-04-T2-W2 with specification adjustment under section 269TAC(8) for the price difference in thickness based on CSC's price lists.
P-C-A-04-T2-W2	Y	

PUBLIC RECORD

P-C-A-04-T3-W2	Y	
P-C-A-04-T4-W2	Y	
P-C-PI-01-T1-W1	Y	
P-C-PI-01-T1-W2	Y	
P-C-PI-01-T2-W1	Y	
P-C-PI-01-T2-W2	Y	
P-C-PI-01-T3-W1	Y	
P-C-PI-01-T3-W2	Y	
P-C-PI-01-T4-W2	Y	
P-C-PI-02-T3-W1	Y	
P-C-PI-02-T3-W2	Y	
P-C-PI-02-T4-W1	N (no domestic quantity)	Surrogate model P-C-PI-02-T4-W2 with specification adjustment under section 269TAC(8) for the price difference in width based on CSC's price lists.
P-C-PI-02-T4-W2	Y	
P-C-PI-03-T3-W2	Y	
P-C-PI-03-T4-W2	Y	
P-C-PI-05-T3-W2	Y	
P-S-A-01-T1-W2	Y	
P-S-A-01-T2-W2	Y	
P-S-A-01-T3-W2	Y	
All sales	Y	

Table 7 Sufficiency test

As outlined in Table 7 above, the verification team found that there was an absence of domestic sales of identical MCC's for 2 MCCs exported to Australia. Therefore, there was insufficient domestic sales volumes of made in OCOT for these 2 MCCs.

For the 2 MCCs exported to Australia where there were insufficient domestic sales of the identical MCCs, the verification team found sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under the MCC hierarchy structure. 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.

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).

9.1 Rationale and Method

Adjustment Type	Rationale for Adjustment	Calculation Method and evidence	Claimed in REQ?	Adjustment required?
Domestic inland transport	The majority of domestic sales were delivered CNF, where CSC incurred inland transport costs.	CSC has reported actual domestic inland transport costs as a separate item for each sale in the domestic sales spreadsheet. For sales with delivery terms CNF, the actual reported inland transport costs.	Yes	Yes
Domestic packaging	There is a difference in packing costs for domestically sold goods classed as "Pickled" compared to exported goods classed as "Pickled".	The actual reported packaging costs of domestically sold goods class as "Pickled" (with MCC category 3 as "PI").	No	Yes
Domestic commission paid by DSC to CSC	There is a difference in the commission rate paid by DSC to CSC for domestically sold goods in 2019 compared to the commission rate paid for exported goods.	The actual reported commission for domestically sold goods.	Yes	Yes
Export packaging	There is a difference in packing costs for domestically sold goods classed as "Pickled" compared to exported goods classed as "Pickled", with exported goods incurring a greater cost.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the Australian sales listing.	No	Yes
Export inland transport	CSC incurred inland transport costs to the port of embarkation for all of its Australian customers.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the Australian sales listing.	Yes	Yes
Export port handling charges	CSC sold its goods FOB, where it incurred port handling charges, made up of: <ul style="list-style-type: none"> • Customs brokerage fee; • Loading and handling fee; • Survey fee; • Harbour service fee; and • Trade promotion charge. 	Weighted average cost based on actual costs incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes

PUBLIC RECORD

	Where goods are sold by CSGT, a single port handling charge is incurred.			
Export bank charges	CSC incurred bank charges for some of its Australian sales.	Weighted average cost based on actual costs incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes
Export commission paid by DSC to CSC	There is a difference in the commission rate paid by DSC to CSC for domestically sold goods in 2019 compared to the commission rate paid for exported goods.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the Australian sales listing.	Yes	Yes
Export commission paid by CSC to CSGT	CSGT charges CSC a service fee for Australian sales of goods sold by CSC. Goods sold by CSGT in its own right do not incur a service fee.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the Australian sales listing.	No	Yes

Table 8 Assessment of adjustments

9.2 Adjustments

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 inland transport	Deduct an amount for domestic inland transport
Domestic packaging	Deduct an amount for domestic packaging
Domestic commission paid by DSC to CSC	Deduct an amount for domestic commission paid by DSC to CSC
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for port charges
Export bank charges	Add an amount for bank charges
Export commission paid by DSC to CSC	Add an amount for export commission paid by DSC to CSC
Export commission paid by CSC to CSGT	Add an amount for export commission paid by CSC to CSGT
Specification adjustment	For the two export MCC with insufficient domestic sales made in the OCOT, specification adjustments under section 269TAC(8) were applied to surrogate MCCs to account for the price difference in thickness and width based on CSC's price lists.

Table 9 Summary of adjustments

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

10 NORMAL VALUE

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).

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 above.

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

11 DUMPING MARGIN

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by CSC for the period is **negative 5.4 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

12 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 Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program
Non-confidential Attachment 2	MCC List

NON-CONFIDENTIAL ATTACHMENT 2 – MCC LIST

Goods exported to Australia

CSC exported the goods to Australia with the following MCCs during the period:

P-C-A-01-T1-W2	P-C-PI-01-T1-W1	P-S-A-01-T1-W2
P-C-A-01-T2-W2	P-C-PI-01-T1-W2	P-S-A-01-T2-W2
P-C-A-01-T3-W1	P-C-PI-01-T2-W1	P-S-A-01-T3-W2
P-C-A-01-T3-W2	P-C-PI-01-T2-W2	
P-C-A-01-T4-W2	P-C-PI-01-T3-W1	
P-C-A-02-T1-W2	P-C-PI-01-T3-W2	
P-C-A-02-T2-W2	P-C-PI-01-T4-W2	
P-C-A-02-T3-W1	P-C-PI-02-T3-W1	
P-C-A-02-T3-W2	P-C-PI-02-T3-W2	
P-C-A-03-T2-W2	P-C-PI-02-T4-W1	
P-C-A-03-T3-W2	P-C-PI-02-T4-W2	
P-C-A-04-T1-W2	P-C-PI-03-T3-W2	
P-C-A-04-T2-W2	P-C-PI-03-T4-W2	
P-C-A-04-T3-W2	P-C-PI-05-T3-W2	
P-C-A-04-T4-W2		

Like goods sold on the domestic market

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

P-C-A-01-T1-W1	P-C-PI-01-T1-W1	P-S-A-01-T1-W2
P-C-A-01-T1-W2	P-C-PI-01-T1-W2	P-S-A-01-T2-W1
P-C-A-01-T2-W1	P-C-PI-01-T2-W1	P-S-A-01-T2-W2
P-C-A-01-T2-W2	P-C-PI-01-T2-W2	P-S-A-01-T3-W2
P-C-A-01-T3-W1	P-C-PI-01-T3-W1	P-S-A-02-T3-W2
P-C-A-01-T3-W2	P-C-PI-01-T3-W2	P-S-A-03-T3-W2
P-C-A-01-T4-W1	P-C-PI-01-T4-W1	P-S-A-04-T3-W2
P-C-A-01-T4-W2	P-C-PI-01-T4-W2	P-S-A-05-T3-W1
P-C-A-02-T1-W2	P-C-PI-02-T1-W2	P-S-A-05-T3-W2
P-C-A-02-T2-W1	P-C-PI-02-T2-W1	P-S-A-06-T0-W0
P-C-A-02-T2-W2	P-C-PI-02-T2-W2	
P-C-A-02-T3-W1	P-C-PI-02-T3-W1	N-C-A-06-T0-W0
P-C-A-02-T3-W2	P-C-PI-02-T3-W2	N-C-PI-06-T0-W0
P-C-A-02-T4-W1	P-C-PI-02-T4-W2	N-S-A-06-T0-W0
P-C-A-02-T4-W2	P-C-PI-03-T2-W1	
P-C-A-03-T1-W2	P-C-PI-03-T2-W2	
P-C-A-03-T2-W2	P-C-PI-03-T3-W1	
P-C-A-03-T3-W1	P-C-PI-03-T3-W2	
P-C-A-03-T3-W2	P-C-PI-03-T4-W1	

PUBLIC RECORD

P-C-A-03-T4-W1	P-C-PI-03-T4-W2	
P-C-A-03-T4-W2	P-C-PI-04-T2-W1	
P-C-A-04-T2-W1	P-C-PI-04-T2-W2	
P-C-A-04-T2-W2	P-C-PI-04-T3-W1	
P-C-A-04-T3-W1	P-C-PI-04-T3-W2	
P-C-A-04-T3-W2	P-C-PI-04-T4-W1	
P-C-A-04-T4-W1	P-C-PI-04-T4-W2	
P-C-A-04-T4-W2	P-C-PI-05-T2-W1	
P-C-A-05-T2-W1	P-C-PI-05-T2-W2	
P-C-A-05-T3-W1	P-C-PI-05-T3-W1	
P-C-A-05-T3-W2	P-C-PI-05-T3-W2	
P-C-A-05-T4-W1	P-C-PI-05-T4-W1	
P-C-A-05-T4-W2	P-C-PI-05-T4-W2	
P-C-A-06-T0-W0	P-C-PI-06-T0-W0	