



Importer Verification Report

Verification & Case Details

Initiation Date	25 October 2019	ADN	2019/132
Case	Review of measures - Hollow Structural Sections - China, Korea, Malaysia, Taiwan and Thailand		
Case Number	529		
Company	DITH Australia Pty Ltd		
Location	Desktop verification		
Review Period	1 October 2018 to 30 September 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

DITH Australia Pty Ltd (DITH) is an Australian private company incorporated on 8 August 2017. DITH was formerly known as DITH Pacific Pty Ltd and changed its name on 16 October 2018. DITH is part of the Duferco Group, which includes entities such as Duferco International Trading Holding S.A (Luxembourg), Duferco Asia Pte Ltd (Singapore), Hebesteel Global Holding Pte Ltd (Singapore) and HBIS Group Co. Ltd (China). The ultimate parent entity is the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province, China.

DITH is an importer of steel products in Australia, with products sourced from producing mills located in Asia and elsewhere. DITH sells hollow structural sections (HSS or the goods), reinforcing steel bars as well other products. DITH sells the goods in the condition in which they were imported.

1.2 Related parties

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

DITH is part of the Duferco Group and functions as an importer to the Australian market. DITH purchases HSS from Kukje Steel Co., Ltd (Kukje) through Duferco Asia Pte Ltd (Duferco), a related company located in Singapore.

The verification team found that DITH does not have any related party customers of the goods during the review period for the relevant countries under investigation.

2 THE GOODS

2.1 The goods

DITH confirmed that it imported HSS from Korea during the review period matching the description of the goods that are the subject of this review.

2.2 Model control codes (MCCs)

DITH provided sales data in accordance with the MCC structure detailed in ADN 2019/132. The company did not propose changes to the MCC.

2.3 Verification of MCCs

The various categories of the MCC and the evidence relied upon for evaluation by the verification team is detailed in Table 1:

Category	Determination of the sub-category
Prime	Determined with reference to description on purchase order & bill of lading
Galvanising	Based on the description shown on the commercial invoices & purchase order
Finish	Based on the finish shown on the commercial invoices.
Shape	Based on the description shown on the commercial invoices
Nominal minimum yield strength	Based on the nominal yield strength shown on the commercial invoices
Ends	Not specified on any source documentation

Table 1: MCC sub-category determination

2.4 The goods imported and sold in Australia

The verification team were satisfied that DITH sold goods with the following MCCs during the investigation period:

- P-G-N-C-350-P
- P-G-N-R-350-P
- P-N-O-C-250-P
- P-N-O-C-350-P
- P-N-O-R-350-P
- P-N-P-C-250-P
- P-N-P-C-350-P
- P-N-P-R-350-P

2.5 Like goods

The importer agreed that the Australian Industry produced like goods to the goods that it imported during the review period.

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 sales listing provided in Part C of the importer questionnaire response (RIQ) by reconciling this to audited financial statements in accordance with ADN. No 2016/30.

DITH follows the Duferco group's financial year which begins on 1 October and ends 30 September the following year.

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

- Reconciled the total revenue as per DITH's 2019 audited financial statement (this statement was close to sign-off at the time of verification) to the total revenue as reported in the 2019 management reports. The verification team was satisfied as to the reliability and integrity of DITH's management reports;
- DITH explained how the sales listing volumes and values were extracted from their systems.

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

3.1.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	The total sales value from the Part C sales listing of the RIQ did not match the management reports as sales made on 30 September 2019 had been excluded from the list.	DITH provided an updated sales listing which included the relevant invoices. The verification team reconciled the updated sales list and found no issues.
2	In the Part C sales listing, some of the transactions related to goods that were not the subject of the review based on product specifications.	DITH confirmed these were not the goods under investigation and the verification team removed these from the Part C sales listing.

Table 2: 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 DITH, including any required amendments as outlined in the exception table above, is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the sales listing submitted in Part C of the RIQ by reconciling the sales from the 10 selected imports downwards to source documents in accordance with ADN. No 2016/30.

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

4.1.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	For shipment 1, the payment amount from the customer to DITH shown on the bank statement differed to the invoice amount.	DITH explained the reason for the difference was due to rebates that were provided to this one particular customer. DITH provided copies of the credit notes. DITH confirmed rebates was only given to this one customer and the Part C sales listing was revised to include rebates.

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 DITH, 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 IMPORTS

5.1 Import listing

DITH confirmed that it imported HSS from Korea during the review period, which matches the description of the goods that are the subject of this review. DITH confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the review period.

The verification team calculated the weighted average free-on-board (FOB) export price by supplier at **Confidential Appendix 1**.

The Commission selected 10 shipments from the ABF import database and requested DITH to provide information in relation to these shipments.

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

The source documents provided by the importer regarding their purchases from the supplier are listed below. DITH was named as the purchasing party on the following documents:

- Intercompany Commercial invoices
- Bill of lading
- Purchase order
- Freight and port charge invoices
- Delivery invoice
- Proof of payment

5.2 CTIS allocation method

The verification team verified the reasonableness of the method used to allocate the cost to the import and sell (CTIS) provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Based on the actual ocean freight cost, invoice by freight forwarder allocated to goods based on weight.
Marine insurance	Based on the annual marine insurance premium cost, allocated to goods based on calculation provided in contract
Customs fees	Based on the actual cost, no allocation.
Port service charges	Based on the actual cost, invoiced by freight forwarder applicable to the shipment and allocated to goods based on weight
Delivery	Based on the actual cost, invoiced by freight forwarder applicable to the shipment and allocated to goods based on weight.
SG&A	Based on the operating costs, as percentage of sales revenue.

Table 4: Verification of cost calculation method

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**.

5.2.1 Exceptions during verification of CTIS allocation

No.	Exception	Resolution
1	For shipments 2 & 3, the incorrect ocean freight invoice was provided and the amount was incorrectly recorded.	Upon request, DITH provided the correct freight invoice and the freight amount was revised.
2	For four shipments, the ocean freight amount was calculated incorrectly because of calculation errors due to incorrect apportionment.	DITH provided revised figures which were reviewed and accepted by the verification team.
3	For two shipments the IDN applicable to the customer invoices did not match.	DITH confirmed these two shipments were recorded under a different IDN, as evidenced in the ABF import database. The verification team was satisfied that imports were complete and accurate.
4	For all ten shipments, the port charges were incorrectly allocated using the total shipment quantity instead of the single invoice quantity applicable to the sale.	DITH provided revised figures using the port charge invoice applicable to the shipment and allocated based on weight. The verification team accepts this as the correct allocation method.
5	For all ten shipments, the delivery (inland transport) amounts were incorrectly allocated using the total shipment quantity instead of the single invoice quantity applicable to the sale.	DITH provided revised figures using the delivery invoice applicable to the shipment and allocated based on weight. The verification team accepts this as the correct allocation method.

Table 5: Exceptions during verification of CTIS allocation

5.3 Verification of CTIS 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 key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents 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**.

5.3.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	Dumping duty was listed on the port charge invoices for three shipments but not recorded in the Part B listing.	DITH explained that no duty was applicable for the selected shipments and it was a broker input error. The verification team confirmed through the customs database that no duty was payable.

Table 6: Exceptions during verification of accuracy of CTIS data

5.4 Forward orders

The list of forward orders is at **Confidential Appendix 2**.

5.5 CTIS verification finding

The verification team is satisfied that the CTIS provided by DITH, including any required amendments as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

Kukje, the manufacturer of the goods sold the goods to Duferco. Duferco then on sells the goods to DITH. Duferco is facilitating the transaction and in return receives a fee from DITH. At the time when the goods arrive in Australia, DITH arranges and pays for logistics, customs clearance charges and for delivery to its Australian customers.

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

- named on the commercial invoice from its supplier;
- named as the consignee or notify party 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 an Australian port.

6.2 The exporter

The goods were imported to Australia by DITH. The verification team considers Kukje to be the exporter of the goods¹, as Kukje is:

- named on the commercial invoice; and
- named as consignor on the bill of lading.

6.3 Profitability of imports

The verification team assessed the profitability for the following ten selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment can be traced to actual sales transactions, the verification team used the actual revenue for each shipment relevant to the particular sales invoice to assess its profitability.

The outcome of this assessment is in table 5 below. The verification team found three of the ten selected shipments were not profitable, however the weighted average of all ten shipments were profitable.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	N

¹ 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

7	N
8	Y
9	N
10	Y
Weighted average all shipments	Y

Table 7: Profitability of selected imports

The assessment is at **Confidential Appendix 3**.

6.4 Related party suppliers

The verification team did not find any evidence to suggest that DITH is related to its supplier of HSS, Kukje, exported from Korea during the review period.

6.5 Arms length

In respect of imports of HSS to Australia by DITH during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between DITH and its suppliers are arms length transactions.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by DITH from Kukje:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have not been purchased by the importer from the exporter(s); and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with this exporter, the verification team recommends that the export price for HSS imported by DITH from Kukje can be established under s.269TAB(1)(c) of the *Customs Act 1901*, being a price to be determined having regard to all circumstances of the exportation using the invoiced price, less deductions.

7 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of imports
Confidential Attachment 1	Verification Work Program