



Exporter Verification Report

Verification & Case Details

Initiation Date	31/03/2020	ADN:	2020/30
Case Number	550		
The goods under consideration	Precision Pipe and Tube		
Case type	Dumping and Subsidy Investigation		
Exporter	Chinh Dai Industrial Co Ltd.		
Location	Remote Verification		
Investigation Period	1/01/2019 to 31/12/2019		

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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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Chinh Dai Industrial Company Limited (referred to as CDI or the exporter) is a privately owned manufacturer and trader of metal products including steel coils, steel wire, steel plates, steel sheets, steel pipes, purlin and hollow section steel, in black, zinc coated and painted surfaces.

CDI sells products domestically, as well as to Australia and other foreign markets.

CDI is located in Hoang Village, Lac Dao Commune, Van Lam District, Hung Yen Province, Vietnam.

1.2 Related Parties

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

1.2.1 Related suppliers

The verification team did not find any related party suppliers of raw materials or services in the manufacture of the goods by CDI during the investigation period.

1.2.2 Related customers

During the investigation period, CDI sold goods domestically to related entity, Chinh Dai Steel Technology Co., Ltd (CDT). Whether these sales were 'arms length' is discussed in chapter 7.3.

The verification team found that some goods sold by CDI to CDT were on-sold by CDT to customers located in Australia. The treatment of these sales is discussed in chapter 3.

1.3 Accounting records

The relevant financial statement for CDI covering the investigation period was audited by APEC Auditing and Consulting Co., Ltd. They found that the financial statement, including the income statement and cash flow statement, reasonably reflected the financial position of CDI, in compliance with Vietnamese account standards and corporate accounting principles and other regulations related to the preparation and presentation of financial statements.

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

2 THE GOODS AND LIKE GOODS

2.1 Production Process

CDI advised that the goods are produced as follows:

- Master coils of hot rolled coil (HRC) are split into smaller widths suitable for pickling, which removes any impurities, rust and scale the surface of the steel and making it easier to work
- HRC is unwound into strips and passed through a cold rolling line to reduce it to the required thickness. It may then be further slit or cut to length as required
- The strip undergoes annealing to reduce hardness, increase ductility and help eliminate internal stresses. The annealed strip then goes through a bath of molten zinc to produce a corrosion resistant, multi-layered coating of zinc-iron alloy and zinc metal. The galvanized strip is then rewound into coil
- The galvanized coil is slit into strips at different widths depending on the pipe size requirements
- The galvanized strip is then cold formed into a rounded tube and passed through a series of rollers to obtain a longitudinal seam. The two edges are then simultaneously heat-welded with a high frequency current and squeezed together to form a bond, thereby forming galvanized pipe
- The galvanized pipe will then go through a series of grooved rollers to produce other shapes (if needed) including square, rectangular and oval.

There is no difference in the production process between domestically sold and exported goods.

The verification team is satisfied that the production process as described by CDI for producing the goods is consistent with the production process for like goods manufactured by Australian industry.

2.2 Model Control Codes (MCCs)

CDI provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/30.

CDI provided all mandatory and optional MCC data for both sales and costs. No changes were proposed by CDI to the MCC structure.

An error was identified during verification in the MCCs reported as sold by CDI in its REQ response.

No.	Exception	Resolution
1	CDI had incorrectly categorised differing lengths of goods within the MCC structure.	Using actual length data included within the Australia sales listing, the verification team updated the

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		reported MCCs in accordance with the MCC structure.
2	CDI had incorrectly categorised the steel base and coating mass of a small sample of the goods within the MCC structure.	The verification team updated the reported MCCs in accordance with the MCC structure.

Table 1 Exceptions to MCC reporting

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 for its determination of the variable factors for CDI. However, for the purposes of verifying the data provided by CDI in its REQ, the verification team has continued to use the MCC structure set out in ADN No. 2020/30.

The verification team has adopted the following MCC structure for its determination of the variable factors:

	Category	Sub-categories
1.	Steel Base/Type	G: Galvanised H: Hot rolled
2.	Shape	C: Circular R: Square/Rectangular
3.	Surface Protection	N: Not painted or oiled O: Oiled
4.	Circular size (outside diameter)	N: Not circular 1: ≤ 16mm 2: > 16mm
5.	Rectangular/Square size (perimeter)	N: Not rectangular 1: ≤ 40mm 2: > 40mm to ≤ 80mm 3: > 80mm
6.	Length	L1: ≤ 4m L2: >4m
7.	Thickness	T1: ≤ 1.2mm T2: > 1.2mm

Table 2 Amendments to the MCCs

2.3 Verification of MCCs

Table 3 below provides detail on how the MCC sub-categories were determined and verified to source documents.

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Category	Determination of the sub-category
Prime	Only prime goods were included in the Australian and domestic sales listings.
Steel Base/Type	<p>CDI advised that 'Steel base/Type' and 'Coating Mass' were based on the 'Coating', which is described as 'Z120'. Z120 refers to zinc coating mass, equivalent to 120g/m² for both sides.</p> <p>Where there is no coating, Steel Base/Type is 'H' and Coating Mass is 1. Where Z120 has been applied, Steel Base/Type is 'G' and Coating Mass is 3 (≥100 g/m² to <275 g/m²).</p> <p>Whether Z120 has been applied is listed on the commercial invoice.</p>
Steel Grade	<p>All goods were manufactured in accordance with ASTM A500 Grade A, equivalent to steel grade C250.</p> <p>The steel grade specification was also listed on the commercial invoice.</p>
Surface Protection	<p>CDI confirmed during verification that they use an anti-rust and chromate coating applied as a part of the production process. For products with this coating, there is no additional information on the invoice.</p> <p>For products with an oil coating, this is listed on the commercial invoice and purchase order.</p>
Coating Mass	See 'Steel Base/Type' above.
Shape	As per the product code listed on the commercial invoice.
Circular size	As per the product code listed on the commercial invoice.
Rectangular/ Square size	As per the product code listed on the commercial invoice.
Thickness	As per the product code listed on the commercial invoice.
Length	As per the product code listed on the commercial invoice.
End configuration	All goods exported or sold domestically were with plain ends.

Table 3 MCC sub-category determination

The verification team was able to confirm many MCC categories based on the product codes in the export and domestic sales listings, which could then be confirmed on the commercial invoices.

The table below displays how the specifications of the goods is derived from the product code.

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Rectangular goods
<i>[Standard/Non-standard order] x [shortest axis] x [longest axis] x [thickness] x [pieces/bundle] x [length in mm]</i>
Examples
<ul style="list-style-type: none"> • BO25x38x1.2x72x7500 – Standard bundle order, 25x38mm, 1.2mm thickness, 72 pieces, 7.5m long • BL15x15x1.4x21x6500 – Non-Standard bundle order, 15x15mm, 1.4mm thickness, 21 pieces, 6.5m long
Circular goods
<i>[Standard/Non-standard order] [F for circular] x [outside diameter] x [thickness] x [pieces/bundle] x [length in mm]</i>
Examples
<ul style="list-style-type: none"> • BOF19.1x1.2x91x7320 – Standard bundle order, 19.1mm OD, 1.2mm thickness, 91 pieces, 7.32m long • BLF19.1x1.2x82x7320 – Non-Standard bundle order, 19.1mm OD, 1.2mm thickness, 82 pieces, 7.32m long

Table 4 Mapping of Product Code to specifications

2.4 The goods exported to Australia

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

MCC as per initiation notice	Amended MCC
P-G-2-N-3-C-1-N-A-2-P	G-C-N-1-N-L2-T1
P-G-2-N-3-C-2-N-A-2-P	G-C-N-2-N-L2-T1
P-G-2-N-3-R-N-2-A-2-P	G-R-N-N-2-L2-T2
P-G-2-N-3-R-N-3-A-2-P	G-R-N-N-3-L2-T1 G-R-N-N-3-L2-T2
P-G-2-O-3-R-N-2-A-2-P	G-R-O-N-2-L2-T2
P-G-2-O-3-R-N-3-A-2-P	G-R-O-N-3-L2-T2
P-G-2-N-3-R-N-3-A-1-P	G-R-N-N-3-L1-T2

Table 5 MCCs exported to Australia

2.5 Like goods sold on the domestic market

The verification team was satisfied that CDI 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:

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- **Are physically alike**

Domestically sold goods are not distinguished from the exported goods during production, as 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 the same**

Domestically sold goods are produced at the same facilities and exported goods, using the same raw material inputs and manufacturing processes;

- **Are commercially alike**

Domestic and exported goods compete in the same market sector, are interchangeable and use similar distribution channels; and

- **Are functionally alike**

Domestic and exported goods can be considered functionally alike, as they have similar end uses.

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

MCC as per initiation notice	Amended MCC
P-G-2-N-3-C-2-N-A-2-P	G-C-N-2-N-L2-T1
P-G-2-N-3-R-N-2-A-2-P	G-R-N-N-2-L2-T1 G-R-N-N-2-L2-T2
P-G-2-N-3-R-N-3-A-1-P	G-R-N-N-3-L1-T1 G-R-N-N-3-L1-T2
P-G-2-N-3-R-N-3-A-2-P	G-R-N-N-3-L2-T1 G-R-N-N-3-L2-T2
P-G-2-N-3-C-1-N-A-2-P	G-C-N-1-N-L2-T1
P-G-2-O-3-R-N-2-A-2-P	G-R-O-N-2-L2-T2
P-G-2-O-3-R-N-3-A-2-P	G-R-O-N-3-L2-T2
P-H-2-N-1-R-N-3-A-2-P	H-R-N-N-3-L2-T2

Table 6 MCCs sold domestically

2.6 Like goods – assessment

The verification team considers that the goods produced by CDI 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 Act.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

3.1 Chinh Dai Technology Co., Ltd

CDI advised in its REQ that some goods are exported to Australia through its related entity, CDT, which handles the exporting of the goods to Australia and other markets. The verification team examined import data from the Australia Border Force (ABF) import database and confirmed that exports to Australia were made by both CDI and CDT, indicating that goods are exported directly by CDI and also indirectly through CDT.

CDT provided a separate REQ for the investigation, which was considered by the verification team in its verification of CDI.²

During the verification, the verification team confirmed that CDT did not manufacture goods during the investigation period. The goods exported by CDT to Australia were purchased from CDI and could be traced directly to CDI domestic sales to CDT.

Based on the related-party relationship between CDI and CDT, the verification team considers that, in respect of goods exported to Australia by CDT during the investigation period, CDI was aware that those goods sold to CDT would be not be sold domestically and would be exported, either to Australia or another third country market.

The Anti-Dumping Commission Dumping and Subsidy Manual³ provides that 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.

The Manual notes that it is common for traders or other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation (both land and ocean), arranging port services, arranging loading, conducting price negotiations, arranging contracts with producer and customer alike, conveying the customer's specifications to the producer including quality, marking, and packing requirements, and so forth.

Typically the manufacturer, as a principal, and who knowingly sent the goods for export to any destination, will be the exporter.

² Available on the Electronic Public Record (EPR) for the investigation on the Commission's website.

³ Available on the Commission's website.

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Based on the information before it, and consistent with the Manual, the verification team considers that all goods exported to Australia through CDT during the investigation period were exported by CDI, with CDT acting as the intermediary.

Therefore, Australian sales of the goods reported by CDT in its REQ will be treated as exports by CDI. The verification team has therefore added the CDT Australian sales to the CDI Australian sales listing.

3.2 Upwards verification process

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 REQ by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

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

- Total company revenue for CDI as reported in its 2019 audited income statement matched without adjustment the total company revenue for the investigation period;
- A trial balance for the investigation period was provided, showing revenue recorded against each account, which matched the total company revenue reported in the 2019 income statement;
- A breakdown of total revenue was provided by CDI from its Bravo ERP sales management system into the following categories:
 - sales of the goods domestically, to Australia and to third countries;
 - sales of the similar products which were not the goods domestically, to Australia and to third countries;
 - sales of other manufactured products domestically, to Australia and to third countries;
 - sales of steel coils domestically and to third countries;
 - sales of scrap domestically; and
 - sales of services domestically;
- The total sales value for all goods sold as reported in the Bravo system matched the total sales value of the goods from the domestic, Australian and third country sales listings, noting that:
 - sales to Australia through CDT have been included in CDI's domestic sales listing (discussed further below); and
 - there was a minor difference of 0.05% between the total value of sales in the Australian sales listing and the value reported by CDI through its Bravo system. The verification team is satisfied that this difference is due to exchange rate variations exchange rate. Given the negligible

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difference in value and that volumes match, this has been accepted by the verification team.

The upwards verification process above does not address directly the inclusion in CDI Australian sales totals those sales by CDT. The goods exported by CDT have only been captured through CDI's domestic sales to CDT (then on sold by CDT to Australian customers). However, the verification team does not consider that this undermines the upwards verification, as the goods sold by CDT have still been accounted for in CDI's sales, albeit as domestic sales. Nonetheless, in order to further verify the data, the verification team has also undertaken upwards verification of CDT's sales.

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

- Total company revenue for CDT as reported in its 2019 audited income statement matched without adjustment the total company revenue for the investigation period;
- Total company revenue for CDT was confirmed against data from its Bravo ERP sales management system;
- The total sales value for all goods sold as reported in the Bravo system matched the total sales value of the goods from the Australian and third country sales listings (no domestic sales were made by CDT during the investigation period).

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**.

3.3 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
3 & 4	The verification team considers that sales of the goods by related party customer CDT to Australia have been exported by CDI, as CDI is the manufacturer of the goods who knowingly placed the goods into the hands of CDT for delivery to Australia.	Sales to CDT included in the CDI domestic sales listing which were exported to Australia through CDT have been included in the CDI Australian sales listing.
		Sales to CDT included in the CDI domestic sales listing which were exported to Australia through CDT have been removed from the CDI domestic sales listing.

Table 7 Exceptions during verification of completeness and relevance of sales data

3.4 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by CDI, taking into account the 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 (including export sales to Australia by CDT) by reconciling these 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 Exceptions during verification of sales accuracy

No.	Exception	Resolution
5	The USD/VND exchange rate reported by CDI in its Australian sales listing differs materially from the exchange rates reported by CDI's bank and the Reserve Bank of Australia (RBA) for the corresponding period. Both the RBA and CDI's bank report generally consistent rates.	Pursuant to s269TAF(1), the verification team has replaced the exchange rate reported by CDI in its Australian sales listing with the RBA exchange rate for the corresponding invoice date.
6	Payment terms reported by CDI in its Domestic sales listing did not correspond to payment terms identified by the verification team in its review of sales documentation.	The verification team has replaced payment terms reported by CDI in its Domestic sales listing with the payment terms observed in the sales documentation.

Table 8 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by CDI, 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, with particular attention given to specific expenses that were excluded or should be excluded.

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

- The total cost of goods sold for all products, not just the goods (COGS) for calendar year 2019, which corresponded to the investigation period, was traced from the audited 2019 financial statements to the trial balance;
- The total cost of production across all products for the investigation period was reported as the total work-in-progress (WIP) value which was traced through to the trial balance;
- The WIP value was reconciled against the total of the 'Direct raw material costs', 'Direct labour costs' and 'Factory overheads' and the value of recovered scrap;
- As WIP included both end products and interim products consumed during the production process, WIP was reconciled against COGS by comparing WIP values of each product produced with the sales values of each product to determine the value of each product consumed during the production process. The consumed value of goods was then deducted from the total WIP value to reach the total COGS; and
- The cost of production for the goods has been split into domestic, Australian and third country markets based on the relevant product code volumes sold to those markets during the review period.

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

- The total SG&A cost for calendar year 2019, which corresponded to the investigation period, was traced from the audited 2019 financial statements to the trial balance; and
- The SG&A cost for the investigation period was reconciled to the SG&A listing.

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
7	CDI had included direct selling expenses in its domestic SG&A calculations.	The verification team has removed from the SG&A total direct selling expenses.

Table 9 Exceptions during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the REQ by CDI, including any required amendments as outlined as an exception above, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY
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6.1 Cost allocation method

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

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

Table 10 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs were allocated based on production quantity.
Scrap Allocation	The cost of scrap has been deducted from the raw materials cost, with the lower raw material costs then allocated based on production quantity. This deduction is less than 1% of the total raw material cost and is considered negligible. No adjustment was therefore considered necessary.
Manufacturing Overheads	Manufacturing overhead costs were allocated based on production quantity.
Labour	Labour costs were allocated based on production quantity.
Depreciation	Depreciation costs were allocated based on production quantity.

Table 10 Cost allocation method

6.2 Verification of Accuracy of CTMS data

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

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

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

6.3 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by CDI is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

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7.1 The importers

In relation to the goods exported by CDI to Australia (either directly or through CDT), 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, as:

- Each customer is named as the buyer on the Sales Contract;
- Each customer is named as the recipient of the commercial invoice;
- Each customer is named as the consignee on the bill of lading;
- Export sales are sold on a FOB (free on board), CFR (cost and freight) or CIF (cost, insurance and freight) basis, meaning that each Australian customer is responsible for importation of the goods into Australia.

7.2 The exporter

The verification team considers CDI to be the exporter of the goods⁴, as CDI is the manufacturer of the goods in the country of export, who, as principal, knowingly sent the goods for export to Australia or a third country. During the investigation period CDI sometimes exported the goods directly and in other cases it did so through CDT.

In relation to the goods sold by CDT to customers in Australia, the verification team does not consider CDT to be the exporter of the goods, as CDT does not manufacture the goods and the goods it sells to Australian customers are purchased directly from CDI. CDI was aware, through its related party relationship with CDT, that those goods sold to CDT would be not be sold domestically, but would be exported, either to Australia or another third country market.

Accordingly, the verification team is satisfied that for all Australian export sales during the period reported by both CDI and CDT, CDI was the exporter of the goods.

7.3 'Arms length'

7.3.1 Unrelated customers

In respect of CDI's Australian sales of the goods to its unrelated customers during the period (which is all of its sales), 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 appeared to be 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

⁴ 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.

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- 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.⁵

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

7.4 Export Price – assessment

7.4.1 Direct exports

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

7.4.2 Indirect exports

In respect of Australian sales of the goods by CDI, where CDI exported the goods through CDT, the verification team recommends that the export price be determined under section 269TAB(1)(c), being the price determined having regard to all the circumstances of the exportation, as the goods exported to Australia were not purchased by the importer from the exporter, but were instead purchased by the importer from CDT.

The verification team recommends determining the export price of these goods as the price paid to CDI by CDT plus inland transport and port handling costs, in order to make these sales on the same terms as goods exported directly by CDI.

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

⁵ Section 269TAA refers.

8 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at 'arms length' and in the ordinary course of trade (OCOT).

8.1 'Arms length'

8.1.1 Related party customers

In respect of CDI'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 appeared to be 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 CDI to its related customer during the period were 'arms length' transactions.

In reaching this conclusion, the verification team compared the weighted average unit prices paid by related and unrelated customers across different MCCs in each quarter of the investigation period. There was no clear price advantage observed between related and unrelated customers, with cheaper prices being offered to related customers in some quarters for some MCCs, and the reverse finding in other quarters.

8.1.2 Unrelated customers

In respect of CDI'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 appeared to be 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.

⁶ Section 269TAA of the Act refers.

The verification team therefore considers that all domestic sales made by CDI to its unrelated domestic customers during the period were 'arms length' transactions.

8.2 Ordinary course of trade

Section 269TAAD states that domestic sales of like goods are not in the OCOT if 'arms length' transactions are:

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁷

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

8.3 Volume of relevant sales

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1), in accordance with section 269TAC(2)(a)(ii). The application has also claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is currently considering these claims. Therefore, the verification team has referred consideration of the volume of relevant sales to the case management team.

⁷ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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 may be necessary:

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	CDI offers credit terms to its domestic customers but does not offer such terms to its Australian customers.	Credit term period reported for each invoice, an appropriate interest rate and the net invoice value.	Yes	Yes
Domestic other costs	CDI incurred “other costs” in connection with domestic sales.	Weighted average cost based on a standard unit cost per MT and the actual sales quantities listed in the Domestic sales listing.	Yes	Yes
Export inland transport	CDI 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 charges	CDI sold its goods either FOB, CFR or CIF, where it incurred port handling charges.	Weighted average cost based on actual costs incurred and the actual sales quantities listed in the export sales listing.	Yes	Yes
Export other costs	CDI incurred “other costs” in connection with export sales.	Weighted average cost based on a standard unit cost per MT and the actual sales	Yes	Yes

PUBLIC RECORD

		quantities listed in the Australian sales listing.		
Domestic warehousing costs	CDI claimed an adjustment for maintaining domestic stock on hand in order to meet domestic customer preferences.	Insufficient evidence was provided to calculate such an adjustment.	Yes	No

Table 11 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments 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 credit terms	Deduct an amount for domestic credit
Domestic other costs	Deduct an amount for domestic other costs
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Export other costs	Add an amount for export other costs

Table 12 Summary of adjustments

10 NORMAL VALUE

As stated in chapter 8, the application has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1), in accordance with section 269TAC(2)(a)(ii). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that, in the event the normal value is determined under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices as outlined in the previous chapter.

11 DUMPING MARGIN

Normal values were not determined as part of the verification process (see chapter 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by CDI for the investigation 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 listing 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 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 up to the general ledger and down to source documents.

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**.

12.3.1 Exceptions during verification of financial loans listing

No.	Exception	Resolution
8	The verification team identified an error in the values reported for total company turnover and domestic market turnover.	The verification team has revised the total company turnover and domestic market turnover consistent with the values verification by the verification team during upwards verification.

Table 13 Exceptions during verification of financial loans listing

12.4 Financial Grants

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ 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**.

12.5 Subsidy margin

The verification team found that CDI received a benefit in relation to the one program and determined its attribution and allocation to the goods as follows:

Program name	Attribution and allocation of the subsidy
Program 43 - Exemptions of Import Duty ⁸	The amount received under these programs has been attributed to the company's export sales as the fund was provided to support the company's exports. It was then allocated to the goods based on the export revenue over the period.

Table 14 Subsidy programs

On the basis that the case management team finds these programs to be countervailable subsidies, the verification team has calculated a preliminary subsidy margin for CDI during the investigation period to be **4.1%**.

Details of the preliminary subsidy margin calculation are at **Confidential Appendix 5**.

⁸ Due to similarities with other programs, this subsidy may be alternatively classed under Program 42 or 44.

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 5	Subsidy Margin
Confidential Attachment 1	Verification work program