



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	Dalian Steelforce High Tech Co Ltd		
Location	Remote		
Investigation Period (the 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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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Dalian Steelforce Hi-Tech Co., Ltd (Dalian Steelforce) is situated in Dalian Development Zone, Liaoning, China. Dalian Steelforce manufactures and exports steel products such as precision pipe and tube (PPT, the goods) to Australia.

Dalian Steelforce is a registered limited liability enterprise, and is a wholly owned subsidiary of Steelforce Australia Pty Ltd (Steelforce Australia), which was acquired by InfraBuild Trading Pty Ltd (InfraBuild) during the period. InfraBuild is part of GFG Alliance.

1.2 Related parties

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

Dalian Steelforce exclusively sold the goods to a wholly related entity Steelforce Trading Pty Ltd¹. Steelforce Trading then transferred the goods to Steelforce Australia. Consideration of the 'arms length' nature of these sales is in section 7.3 of this report.

Dalian Steelforce sells downgrade/non-prime like goods on the domestic market to a wholly related entity, Dalian Austeel Trading Pty Ltd (Dalian Austeel), a subsidiary of Dalian Steelforce. Consideration of the 'arms length' nature of these sales is in section 8.2 of this report.

1.3 Accounting records

Dalian Steelforce's 2019 Financial Statement, which covers the period, was audited by an independent accounting firm. The audit report includes a statement that the Financial Statement complies with the Chinese Accounting Standards

On this basis, the verification team considers that the accounting records held by Dalian Steelforce are in accordance with the generally accepted accounting principles of the People's Republic of China (China).

¹ Following the period, Steelforce Trading changed its name to Austeel Trading Pty Ltd (Austeel Trading).

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Dalian Steelforce produces the goods from cold rolled coil (CRC), cold rolled galvanised coil (CRGC), and a small quantity from hot rolled coil (HRC). The coils are slit into narrower coils to the widths required to produce each individual size and shape. The slit coils are rolled into tubes, welded and formed, then cut to the desired length.

A clear paint is applied either online or hand sprayed to all goods produced from CRGC. Goods produced from CRC and HRC are painted or galvanised.

2.2 Model control codes

Dalian Steelforce provided sales and cost data in its response to the exporter questionnaire (REQ) broadly in accordance with the model control code (MCC) structure proposed in Anti-Dumping Notice (ADN) No. 2020/030.

Dalian Steelforce requested a number of minor alterations to the proposed MCC structure. The verification team also considered it necessary to make minor changes to the MCC structure for Dalian Steelforce.

Dalian Steelforce included details of all the proposed MCC categories and sub-categories in the REQ sales data. The REQ cost data did not report all of the proposed mandatory MCC categories, however the verification team have accepted the data provided. Further details are outlined in section 2.2.1 below.

2.2.1 Amendments to MCCs

Based on Dalian Steelforce’s requested changes and analysis of the technical specifications and pricing of the goods, the verification team considers it necessary to make amendments to the MCC structure.

No.	Exception	Resolution
1	<p>Dalian Steelforce requested a number of minor alterations to the MCC structure proposed in ADN 2020/30. The alterations included:</p> <ol style="list-style-type: none"> splitting the proposed MCC category for “Steel Base/Type” into two separate categories for “Coil Production Method” and “Chemistry”. The Coil Production Method sub-categories requested by Dalian Steelforce were “Cold-rolled” and “Hot-rolled”. The sub-category for galvanised was removed. Any pre-galvanised 	<ol style="list-style-type: none"> The verification team consider that it is unnecessary to split the proposed MCC category of “Steel Base/Type” into “Coil Production Method” and “Chemistry”. The addition of a MCC category for Chemistry is redundant to Dalian Steelforce’s circumstances. All of Dalian Steelforce’s sales of the goods and like goods are of the same chemistry (e.g. non-alloyed). The

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	<p>goods were identified under 2 below;</p> <ol style="list-style-type: none"> 2. changing the proposed MCC category for “Surface Protection” to “Surface Finish”. An additional sub-category was added for galvanised surface finish (which captures Dalian Steelforce’s pre-galvanised sales), and the word “Clear” was removed from the sub-category for “Clear or Painted”; 3. in relation to the proposed MCC category for “Shape”, an additional sub-category for “Oval” shape was added; 4. in relation to the proposed MCC category for “Circular Size”, an additional sub-category for “>101.6mm” was added; and 5. in relation to the proposed MCC category for “Rectangular/Square Size”, an additional sub-category for “>260mm” was added. 	<p>verification team accepted the sub-categories requested by Dalian Steelforce.</p> <ol style="list-style-type: none"> 2. Alteration 2 clarifies that Dalian Steelforce’s sells pre-galvanised goods and like goods. The addition of a sub-category for galvanised has been accepted. Changing the name of the sub-category for “Clear or Painted”, despite reflecting Dalian Steelforce’s circumstances was considered unnecessary by the verification team. <p>Alterations 3-5 have assisted Dalian Steelforce and the verification team to filter out non-subject goods from the sales listings. However, these alterations do not change the MCC sub-categories applicable to the goods and like goods.</p>
2	<p>Dalian Steelforce explained that all PPT it manufactures has plain ends. This was an optional category in the proposed MCC structure for sales and costs.</p>	<p>The verification team has removed this MCC category to simplify the MCC structure.</p>
3	<p>The following MCC categories were proposed as ‘mandatory’ in relation to costs:</p> <ul style="list-style-type: none"> • Steel Base/Type (Coil Production Method for Dalian Steelforce as outlined above) • Coating Mass • Shape • Circular Size • Rectangular/Square/Oval/Other Size • Thickness <p>Dalian Steelforce did not provide separate costs for each of the above MCC categories. Dalian Steelforce’s cost data essentially differentiates between Surface Finish only.</p>	<p>The verification team have accepted the costs as presented by Dalian Steelforce, noting that the costs are consistent with Dalian Steelforce’s management reports. In addition:</p> <ul style="list-style-type: none"> • Almost all of the sales of the goods and like goods are of one steel base type. • All of the sales of the goods and like goods are of one steel grade. • Almost all of the sales of the goods and like goods are of the one coating mass. • Dalian Steelforce do not capture cost differences for

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		<p>shape in the management accounts.</p> <ul style="list-style-type: none"> • For circular goods and like goods, almost all of the sales are of the same circular size. • For rectangular and square goods, almost all of the sales are of the same rectangular/square size. • Almost all of the sales of the goods and like goods are of the same thickness. <p>In accepting the costs presented by Dalian Steelforce, the verification team also took into account a recent verification for a similar product in Review No. 529 (hollow structural steel sections from China). Dalian Steelforce's records in Review No. 529 and the current investigation into PPT are presented consistently.</p>
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Table 1 Amendments to the MCCs

2.3 Verification of MCC

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

No	Category	Sub-categories	Determination of the sub-category
1	Prime	<p>As per ADN 2020/30, the sub-categories are:</p> <ul style="list-style-type: none"> • P - Prime • N - Non-prime 	<p>The goods exported to Australia are manufactured to an Australian standard and are considered to be prime goods. The relevant Australian standard has been verified to the production records and commercial documents for a sample of sales.</p> <p>All sales of like goods on the domestic market are ungraded, therefore are non-prime products (they do not meet Australian standards).</p>

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2	Steel Base/Type	The sub-categories are: <ul style="list-style-type: none"> • H – Hot Roll • C – Cold Roll 	Steel Base/Type has been determined based on the coil consumed in the production of the goods and like goods.
3	Steel grade	As per ADN2020/30, the sub-categories are: <ul style="list-style-type: none"> • 1 - C200 • 2 – C250 • 3 – C350 • 4 – C450 • 5 – Other 	Steel grade was verified to the production records and commercial documents for a sample of sales.
4	Surface finish	The sub-categories are: <ul style="list-style-type: none"> • O – Oiled • P – Clear/Painted • G – Galvanised • A – Aluminised • N – None 	Surface finish was verified to the production records and commercial documents for a sample of sales.
5	Coating mass	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none"> • 1 – <20 g/m2 (including none) • 2 – ≥20 g/m2 to <100 g/m2 • 3 – ≥100g/m2 to 275g/m2 • 4 – ≥275g/m2 	Coating mass was verified to the production records and commercial documents for a sample of sales.
6	Shape	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none"> • C – Circular • R – Rectangular or Square 	Shape was verified to the production records and commercial documents for a sample of sales.
7	Circular size	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none"> • N – Not circular • 1 – ≤16mm • 2 – >16 mm to ≤21 mm • 3 – >21 mm to ≤101.6 mm (Air Heater Tubes) 	Circular sizes were verified to the production records and commercial documents for a sample of sales.
8	Rectangular/square/oval/other size	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none"> • N – Not rectangular /square • 1 – ≤40 mm • 2 – >40 mm to ≤80 mm • 3 – >80 mm to ≤260 mm 	Such sizes were verified to the production records and commercial documents for a sample of sales.

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9	Thickness	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none">• A – <1.6 mm• B – ≥1.6 mm to <3.2 mm• C – ≥3.2 mm	Thickness was verified to the production records and commercial documents for a sample of sales.
10	Length	As per ADN 2020/30, the sub-categories are: <ul style="list-style-type: none">• 1 – ≤4 m• 2 – >4m to ≤8 m• 3 – >8 m to ≤12.0 m• 4 – >12.0 m	Length was verified to the production records and commercial documents for a sample of sales.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

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

Australian Sales
P-C-2-G-3-C-1-N-A-2
P-C-2-G-3-C-2-N-A-2
P-C-2-G-3-R-N-2-A-2
P-C-2-G-3-R-N-3-A-1
P-C-2-G-3-R-N-3-A-2
P-C-2-P-2-R-N-2-A-1
P-C-2-P-2-R-N-2-A-2
P-C-2-P-2-R-N-3-A-1
P-C-2-P-2-R-N-3-A-2
P-H-2-P-2-C-2-N-B-2

Table 3 - MCCs exported to Australia

2.5 Like goods sold on the domestic market

The verification team was satisfied that Dalian Steelforce sold a small volume of 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 physically alike, the exported goods and goods sold on the domestic market are produced in the same way, and the costs of production for models sold domestically and for export are the same; and
- are produced at the same facilities, using the same raw material inputs and manufacturing processes.

Goods sold on the domestic market are lacking a degree of commercial or functional likeness to goods exported to Australia. The goods sold on the domestic market are

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non-prime or downgraded products that have the same characteristics as exported goods, but are ungraded, because post-manufacture the goods failed to meet the required export standard. However, the products could still be functional in some form and are sold in bundles locally to metal fabricators.

Non-prime or downgraded goods are different from scrap, which is a by-product in the manufacturing process. Scrap consists of severely defective product and not considered to be a like good, and is sold to scrap merchants.

Dalian Steelforce production of PPT are intended for the export market, as such the verification team considers that sales on the domestic market are sufficiently commercially and functionally alike to closely resemble the goods exported to Australia.

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

Domestic Sales
N-C-2-G-3-C-1-N-A-2
N-C-2-G-3-C-2-N-A-2
N-C-2-G-3-R-N-2-A-2
N-C-2-G-3-R-N-3-A-1
N-C-2-G-3-R-N-3-A-2
N-C-2-G-3-R-N-4-A-2
N-C-2-N-1-R-N-2-A-2
N-C-2-N-1-R-N-3-A-2
N-C-2-P-2-R-N-3-A-1
N-C-2-P-2-R-N-3-A-2
N-H-2-N-1-C-2-N-B-2

Table 4 - MCCs sold domestically

2.6 Like goods – assessment

The verification team considers that the goods produced by Dalian Steelforce 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).²

² References to any 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 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 REQ by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

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

- Reconciled audited financial reports to management reports for the same period (1 January – 31 December 2019).
- Reconciled management report to the trial balance for the period.
- Reconciled trial balance to the sales listing for the period.
- Reconciled trial balance to totals of the domestic, export and third country sales listing for the period.

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

3.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
4	Dalian Steelforce initially entered a column for "Shortest axis length (mm)" incorrectly in the domestic sales listing. This column was used by Dalian Steelforce to identify which domestic sales were the goods and not the goods.	Dalian Steelforce provided a revised domestic sales listing correcting the column for "Shortest axis length (mm)". Only one domestic sale originally marked as the goods was reclassified as not the goods. The verification team are satisfied that Dalian Steelforce have correctly identified which domestic sales are the goods and not the goods. A number of related REQ appendices were updated to reflect the revised domestic sales listing details.
5	In reviewing the domestic sales listing, the verification team found that certain domestic sales of oval	Dalian Steelforce provided a revised domestic sales listing filtering out those sales. A number of related REQ appendices were updated to

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	shaped goods were identified as the goods.	reflect the revised domestic sales listing details.
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Table 5 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 Dalian Steelforce, 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 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
6	In the REQ, Dalian Steelforce stated that inland transport and port charges are calculated using actual cost divided by tonnes. The verification team found inland transport and port charges in the Australian sales listing did not match the source document.	The correct calculation was provided by Dalian Steelforce. Dalian Steelforce provided a revised Australian sales listing and made changes to the column "unit inland transport" based on the weighted average cost of local transport, port charges and handling cost for the period.
7	In reviewing the Australian sales data, the verification team found that inland transport and port charges were allocated to sales incorrectly due to an input error.	Dalian Steelforce reviewed the calculation and provided a revised calculation addressing the issue.
8	In reviewing the Australian sales listing, Dalian Steelforce identified that the customer name was listed incorrectly for two invoices.	For the two relevant invoices, Dalian Steelforce updated the customer name, which the verification team verified to source documents.

Table 6 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Dalian Steelforce, 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 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:

- Reconciled the COGS in the audited financial report to monthly management reports for the same period (1 January – 31 December 2019).
- Reconciled total COGS from monthly management reports to the trial balance for the period.
- Reconciled trial balance to total CTM for the period.
- Reconciled total CTM to the export and domestic CTM data submitted in the REQ.

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

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

- Reconciled SG&A expenses in the audited financial report to monthly management reports for the same period (1 January – 31 December 2019).
- Reconciled SG&A expenses from monthly management reports to the trial balance for the period.

The verification team identified the issues outlined below during verification of the SG&A data. 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
9	The verification team identified that an item in the trial balance and management reports had not been	SG&A has been updated to include the relevant expenses.

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	included in the SG&A expenses allocated to the goods or like goods.	
10	The verification team identified that interest expenses in the trial balance and management reports had not been included in the SG&A expenses allocated to the goods or like goods.	SG&A has been updated to include interest expenses.
11	The verification team identified two expenses that form part of the cost of goods sold that had not been allocated to the CTM, as they were not directly related to production of the goods or like goods. However, those expenses are related to the operation of the business and therefore should have been included in the SG&A expenses allocated to the goods and like goods.	SG&A has been updated to include the two expenses.

Table 7 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 Dalian Steelforce, including any required amendments as outlined as an exception above is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL ACCURACY

6.1 Cost allocation method

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

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

Table 8 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Coil and paint costs are the actual costs for each model, while other raw material costs are allocated based on production quantity.
Scrap Allocation	Revenue from scrap sales is allocated based on sales volume.
Manufacturing overheads, including depreciation and outsource processing	Costs allocated to the goods based on production volume.
Labour	Costs allocated to the goods based on production volume.

Table 8 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
12	The verification team identified that the scrap credit applied to offset the cost to make of the goods and like goods included amounts that related to other revenue items	The scrap credit was revised by Dalian Steelforce to remove the other revenue items

Table 9 Exceptions during verification of CTMS allocation method

6.3 Verification of accuracy of CTMS data

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

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

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

6.4 Accuracy finding

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

7 EXPORT PRICE

7.1 The importer

The verification team understands the involvement of Steelforce Australia and Steelforce Trading in the importation of the goods to be as follows:

- Steelforce Trading arranges for the goods to be imported to Australia, which includes the quantity and price of goods from the exporter, Dalian Steelforce;
- Steelforce Trading is named as the customer on the exporter invoice and consignee on the bill of lading;
- on arrival in Australia, Steelforce Trading documents the receipt of the goods, being the exporter invoice value and the quantity in its stock holding ledger;
- once the goods are receipted, Steelforce Trading then transfers them to Steelforce Australia's stock holding ledgers. An invoice is issued listing Steelforce Australia as the customer, the quantity (which is the same as the quantity listed on the Dalian Steelforce invoice to Steelforce Trading) and Steelforce Trading's price (which covers the price listed on the Dalian Steelforce invoice to Steelforce Trading plus import costs and a premium for Steelforce Trading). No money is exchanged between Steelforce Trading and Steelforce Australia with consideration being settled via intercompany loan account. Steelforce Australia holds the bank account and the Steelforce Trading invoice directs payment to the bank account held by Steelforce Australia. Steelforce Trading does not have a separate bank account;
- as Steelforce Australia holds the bank account, it pays the exporter invoice and other importation costs on behalf of Steelforce Trading, even though Steelforce Trading is listed as the customer on these documents. However, Steelforce Trading is not exclusively listed as the customer on relevant importation documents, for example, Steelforce Australia is also listed as the customer on the debit notes for ocean freight (Steelforce Trading was the named counterparty on the original contract with the shipper). Steelforce Trading explained that omitting it as customer on the debit notes was an error on the part of the shipper, which was not corrected by it. Steelforce Australia is named as the co-insured on the marine insurance policy and is described as the customer on some inland freight invoices from port to distribution centre. Steelforce Trading explained that the marine insurance policy is a group policy covering a number of entities, including itself and Steelforce Australia.

Steelforce Australia then sells the goods from its distribution centres, primarily to unrelated customers in the Australian market (there is an immaterial volume of sales to related entities). Steelforce Australia receives money from these unrelated customer sales and this money goes to a bank account held by Steelforce Australia.

Given the nature of the relationship between Steelforce Trading and Steelforce Australia and the role each plays in the importation of the goods, the verification team considers Steelforce Australia to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Steelforce Australia:

- paid for the goods;

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- paid for all costs related to importation, via payment of money from Steelforce Australia's bank account to the bank account of the relevant broker and shipping and inland transport agent;
- insured the goods while the goods were on the water; and
- took possession of the goods once the goods arrived in Australia, delivering the goods from the port of arrival to Steelforce Australia's distribution centres where the goods are unloaded to be sold to customers in the Australian market. As a part of this process, Steelforce Trading and Steelforce Australia journals the receipt of the goods in its inventory movement ledger, being the exporter invoice quantity and the exporter invoice value plus Steelforce Trading's premium.

The verification team is of the view that, despite Steelforce Trading being listed as the consignee on the bill of lading and declaring itself as the owner of the goods to ABF, this does not mean that Steelforce Trading is the beneficial owner of the goods.

7.2 The exporter

The verification team considers Dalian Steelforce to be the exporter of the goods,³ as it is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- arranges and pays for the port handling charges at the port of export.

The verification team was satisfied that for all Australian export sales during the period that Dalian Steelforce was the exporter of the goods.

7.3 'Arms length'

In respect of Dalian Steelforce's export sales of the goods to its related intermediary and related party importer in Australia 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 price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller; or

³ 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 buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁴

The verification team therefore considers that export sales to Australia made by Dalian Steelforce to its related customer during the period were 'arms length' transactions, pursuant to section 269TAA(1).⁵

7.4 Export price – assessment

The verification team is of the opinion that for the goods imported by Steelforce Australia from Dalian Steelforce, via Steelforce Trading:

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

As the goods are not purchased by the importer from the exporter, the export price cannot be established under sections 269TAB(1)(a) or (b). The verification team recommends that the export price be established under section 269TAB(1)(c), having regard to all the circumstances of the exportation.

Specifically, subject to further enquiries, the verification team recommends that export price be established using the price between Dalian Steelforce and Steelforce Trading.

⁴ See section 269TAA(1)(c).

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

8 DOMESTIC SALES

8.1 Background

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).

8.2 'Arms length'

In respect of Dalian Steelforce'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 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;⁶ 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.

The verification team therefore considers that domestic sales made by Dalian Steelforce to its related customer during the period are 'arms length' transactions, pursuant to section 269TAA(1)(b).⁷

8.3 Ordinary course of trade

Section 269TAA(1)(b) 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.⁸

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.

⁶ See section 269TAA(1)(c).

⁷ The Commission notes that the finding in this report that the sales to domestic customers did not take place on an 'arms length' basis relates to the assessment of export prices for anti-dumping purposes under section 269TAC. It is not an assessment of the exporter's transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

⁸ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

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

Table 10 OCOT details

No domestic sales were profitable or recoverable, therefore no domestic sales were made in the OCOT.

8.4 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter's domestic sales of like goods are taken to be in a low volume under section 269TAC(14) where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

As the verification team found that there are no domestic sales of like goods in the OCOT, the case team considers that there is an absence of relevant sales of like goods for the purposes of determining a price under section 269TAC(1).

8.5 Market situation and competitive market costs

The applicant 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) (section 269TAC(2)(a)(ii)). The applicant has also claimed that Dalian Steelforce's 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.

8.6 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under section 45 of the *Customs (International Obligations) Regulation 2015* (the Regulation).

PUBLIC RECORD

As there are no sales of like goods in the OCOT on the domestic market, the profit cannot be worked out under section 45(2) of the Regulation.

Therefore, profit must be worked out under:

- section 45(3)(a) of the Regulation using the actual amounts realised by the exporter from the sale of the same general category of goods in the domestic market;
- section 45(3)(b) of the Regulation identifying the weighted average of the actual amounts realised by other exporters or producers from the sale of like goods in the domestic market; or
- section 45(3)(c) of the Regulation using any other reasonable method and having regard to all relevant information.

There is no hierarchy on the use of these three alternatives for determining profit under section 45(3) of the Regulation and so the verification team has considered each in turn.

The verification team considered whether an amount for profit could be calculated pursuant to section 45(3)(a) of the Regulation, using amounts from the sale of the same general category of goods in the Chinese domestic market.

In Review No. 529, which overlaps the period by 9 months, the Commission examined the sale of hollow structural sections (HSS) by Dalian Steelforce in the Chinese domestic market. The verification team considers HSS to be in the same general category of goods as precision pipe and tube steel due to its similarities with the goods, including raw material composition and production likeness. There are no domestic sales of any other products by Dalian Steelforce which the verification team considers are in the same general category.

Review No. 529 found that there were no domestic sales of HSS by Dalian Steelforce that were profitable. Accordingly, the profit cannot be calculated under section 45(3)(a) of the Regulation using these sales.

The verification team considered section 45(3)(b) of the Regulation unsuitable as it has no verified data from other exporters or producers who sold goods in the Chinese domestic market from which a weighted average could be calculated.

Pursuant to section 45(3)(c) of the Regulation, the verification team considered using the profit determined for Dalian Steelforce in Review No. 529. In that review, the Commission relied on domestic sales by other Chinese exporters of HSS to determine a profit pursuant to section 45(3)(b) of the Regulation.

After consideration of the above, the verification team considers that a calculation of profit pursuant to Regulation 45(3)(c) is available, using the amount determined for Dalian Steelforce in Review No. 529, and that this amount is suitable because:

- it is calculated from verified domestic sales made by other Chinese exporters of the same general category of goods; and
- it is consistent with Review No. 529.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board terms, the verification team has considered the following adjustments will be necessary.

9.1 Rationale and method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Export inland transport and port charges.	Costs incurred transporting the goods from the factory to the wharf, including port handling charges, bill of lading fees etc.	Average unit cost based on total costs incurred for exportation of goods divided by total exported goods to Australia and third countries.	Yes	Yes
Non-refundable VAT.	Recognition of additional revenue from VAT rebate from export sales.	Calculated based on variation between VAT paid and VAT rebate available for that month.	Yes	Yes

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
Export inland transport and port charges	Add an amount for export inland transport and port charges
VAT rebate	Add an amount for non-refundable VAT

Table 12 Summary of adjustments

10 NORMAL VALUE

The verification team is satisfied that because of the absence of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a price under section 269TAC(1), the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

The normal value could be determined under section 269TAC(2)(c) using the sum of:

- the cost to make the exported goods based on the company's records in accordance with section 43(2) of the Regulation;
- SG&A on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export based on the company's records in accordance with section 44(2) of the Regulation; and
- an amount for profit based on data relating to the production and sale of goods in the same general category on the domestic market in accordance with section 45(3)(c) of the Regulation.

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

Therefore, the verification team is not able to fully determine a normal value for the goods exported to Australia by Dalian Steelforce during the period at this point.

11 DUMPING MARGIN

The dumping margin depends on a number of matters being resolved by the case management team as outlined above in Chapters 8 and 10.

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 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**.

12.4 Preferential interest rate/loans

The verification team verified the completeness, relevance and accuracy of the financial loans listing provided in the REQ by reconciling the listing 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 subsidy margin will depend on the method in which to determine the less than adequate remuneration benefit, if any. This has been referred to the case management team.

13 APPENDICES AND ATTACHMENTS

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