



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	31/03/2020	<b>ADN:</b>	2020/30
<b>Case Number</b>	550		
<b>The goods under consideration</b>	Precision Pipe and Tube		
<b>Case type</b>	Dumping and Subsidy Investigation		
<b>Importer</b>	DITH Australia Pty Ltd		
<b>Location</b>	Remote		
<b>Investigation Period</b>	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

**CONTENTS**

**CONTENTS.....2**

**PREFACE.....3**

**1 COMPANY BACKGROUND.....4**

1.1 CORPORATE STRUCTURE AND OWNERSHIP .....4

1.2 RELATED PARTIES .....4

**2 THE GOODS .....5**

2.1 THE GOODS .....5

2.2 MODEL CONTROL CODES (MCCs).....5

2.3 VERIFICATION OF MCCS .....5

2.4 THE GOODS IMPORTED AND SOLD IN AUSTRALIA .....5

2.5 LIKE GOODS .....5

**3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE .....6**

**4 DOWNWARDS VERIFICATION OF SALES .....7**

4.1 VERIFICATION OF SALES ACCURACY .....7

4.2 SALES ACCURACY FINDING .....7

**5 VERIFICATION OF IMPORTS .....8**

5.1 IMPORT LISTING.....8

5.2 VERIFICATION OF COST TO IMPORT AND SELL (CTIS) .....8

5.3 CTIS ALLOCATION METHOD .....8

5.4 VERIFICATION OF CTIS ACCURACY .....9

5.5 FORWARD ORDERS.....9

5.6 CTIS VERIFICATION FINDING.....9

**6 EXPORT PRICE.....10**

6.1 THE IMPORTER .....10

6.2 THE EXPORTER .....10

6.3 PROFITABILITY OF IMPORTS.....10

6.4 RELATED PARTY SUPPLIERS.....11

6.5 'ARMS LENGTH' .....11

6.6 EXPORT PRICE ASSESSMENT.....11

**7 ATTACHMENTS.....12**

## **PREFACE**

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping 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).<sup>1</sup>

---

<sup>1</sup> 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**

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), Hebsteeel 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, including precision pipe and tube (the goods), whose products are sourced from producing mills located in Asia and elsewhere. As well as the goods, DITH sells hollow structural sections (HSS), reinforcing steel bars as well other products. DITH sells the goods in the condition in which they were imported on a delivered free into store (FIS) basis.

### **1.2 Related parties**

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

#### **1.2.1 Related suppliers**

The supplier of the goods to DITH is Duferco Asia Pte Ltd (Duferco), a related entity based in Singapore. The manufacturer and exporter of the goods is Kukje Steel Co. Ltd (Kukje), an unrelated entity based in the Republic of Korea (Korea).

DITH is not related to the exporter, Kukje. Duferco, which is a related entity, acts as an intermediary and is also unrelated to Kukje.

These relationships are discussed further in section 6 of this report.

## **2 THE GOODS**

### **2.1 The goods**

DITH confirmed that it imported precision pipe and tube from Korea during the investigation period matching the description of the goods that are the subject of this investigation.

### **2.2 Model control codes (MCCs)**

DITH provided all mandatory and optional sales and cost data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/30. The company did not propose any changes to the MCC structure.

### **2.3 Verification of MCCs**

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

<b>Category</b>	<b>Determination of the sub-category</b>
Prime	All Australian sales of the goods are of prime products.
Steel Base/Type	Based on the commercial sales invoice issued by the exporter.
Steel Grade	Based on the commercial sales invoice issued by DITH.
Surface Protection	Based on the commercial sales invoice issued by DITH.
Coating Mass	Listed on mill test certificate issued by the manufacturer.
Shape	Based on the commercial sales invoice issued by DITH.
Circular size	Based on the commercial sales invoice issued by DITH.
Rectangular/Square size	Based on the commercial sales invoice issued by DITH.
Thickness	Based on the commercial sales invoice issued by DITH.
Length	Based on the commercial sales invoice issued by DITH.
End configuration	All Australian sales of the goods have plain ends.

**Table 1 MCC sub-category determination**

### **2.4 The goods imported and sold in Australia**

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

- P-G-3-P-3-C-2-N-A-2-P
- P-G-3-P-3-R-N-3-A-2-P

### **2.5 Like goods**

DITH advised the verification team that it supplies structural hollow sections from Kukje covering multiple sizes and multiple tariff classifications, of which a subset is precision pipe and tube.

### 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

#### 3.1 Background

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.

DITH was verified on 27 March 2020 as part of Review 529 into HSS exported from the People's Republic of China, Korea, Malaysia, Taiwan and the Kingdom of Thailand (REV 529).<sup>2</sup> In this verification, the verification team examined the sales listing provided by DITH for the period 1 October 2018 to 30 September 2019, a period which overlaps the investigation period for this investigation by 9 months.

The verification team in REV 529 verified the completeness and relevance of the sales listing by reconciling the data to audited financial statements in accordance with ADN. No 2016/30. The team verified the relevance and completeness of the sales data in REV 529 as follows:

- Reconciled the total revenue as per DITH's 2019 audited financial statement 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 to the satisfaction of the verification team.

As part of this investigation, DITH has provided a sales listing for structural hollow sections (SHS) which includes sales for both HSS and precision pipe and tube. The sales listing provided by DITH is for the same period as that examined in REV 529. The verification team compared the sales listing provided for REV 529 to that provided for this investigation and found a difference of -0.1% in respect of HSS sales, which is considered negligible.

The verification team considers the prior verification in REV 529 of HSS sales, which included verification of SHS sales as part of the reconciliation of the 2019 management reports to the 2019 audited financial statement, is satisfactory for upwards verification of the sales of precision pipe and tube for the same period, due to the inclusion of precision pipe and tube in the SHS sales data.

---

<sup>2</sup> A copy of the verification report for DITH in REV 529 is available on the Anti-Dumping Commission website.

## PUBLIC RECORD

Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

### 3.2 Exception for verification of sales completeness and relevance

1	DITH has provided sales data for the period 1 October 2018 to 30 September 2019, which does not align with the investigation period.	The verification team is satisfied that the sales data provided for the period 1 October 2018 to 30 September 2019 is complete and relevant, but data for the final quarter of the investigation period is missing. However, the verification team does not consider this undermines the accuracy of the data provided and is satisfied that data from the ABF import database can be used to make up for the shortfall in the data for the missing quarter. This is discussed in section 5.1
---	--	---

### 3.3 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 accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process.

### 4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by DITH 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 it imported precision pipe and tube from Korea during the investigation period, which matches the description of the goods that are the subject of this investigation. The verification team compared the import listing extracted from the ABF import database for the period of the investigation which overlaps the review period for 529 with the import listing provided by DITH for the corresponding period. From this comparison, the verification team was satisfied that the ABF import database represents an accurate list of imports of the goods for this period and accordingly, is satisfied that the import listing extracted from the ABF import database for the entire investigation period is an accurate list of imports of goods for the investigation period.

The verification team calculated the weighted average free-on-board export price using the ABF data at **Confidential Appendix 1**.

### **5.2 Verification of cost to import and sell (CTIS)**

The verification team selected four shipments for DITH to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, DITH provided the following source documents:

- invoice from the manufacturer of the goods;
- bill of lading;
- ocean freight invoice;
- freight forwarding invoice; and
- inland transport invoice.

### **5.3 CTIS allocation method**

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

<b>Cost Area</b>	<b>Method applied</b>
Ocean freight	Based on the actual freight cost. Invoice of freight provider was allocated to the goods based on weight.
Marine insurance	Based on the marine insurance policy and allocated to goods based on invoice value.
Credit insurance	Based on the credit insurance policy and allocated to goods based on invoice value.
Customs fees	Based on the actual customs fees. Invoice of freight forwarder was allocated to the goods based on weight.
Port service charges	Based on the actual port service charges. Invoice of freight forwarder was allocated to the goods based on weight.

## PUBLIC RECORD

Trade loan interest	Based on the agreement between DITH and Duferco and allocated to goods based on invoice value.
Bank charges	Based on the bank charges and allocated to goods based on invoice value.
Delivery	Based on the actual delivery cost. Invoice of freight provider was allocated to the goods based on weight.
SG&A	Based on DITH's actual expenditure as a proportion of sales revenue from continuing operations.

**Table 2 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**.

### 5.4 Exception for verification of CTIS allocation

2	For two shipments, the allocation of CTIS to the goods was incorrect.	A revised data set was submitted that correctly allocated CTIS to goods which was verified against the import documentation.
---	---	--

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

### 5.6 Forward orders

The list of forward orders is at **Confidential Appendix 1**.

### 5.7 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 2**.

## **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 the exporter;
- named as the consignee on the bill of lading;
- pays for all the importation charges; and
- arranges delivery from the port.

### **6.2 The exporter**

The goods were imported to Australia by DITH. The verification team considers Kukje to be the exporter of the goods<sup>3</sup>, as Kukje is:

- named as the exporter on the commercial invoice;
- named as consignor on the bill of lading;
- the manufacturer of the goods located in the country of export; and
- knows the goods are destined for Australia, as per the commercial invoice.

### **6.3 Profitability of imports**

The verification team assessed the profitability for the following 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 to assess its profitability.

The outcome of this assessment is in the tableTable 3 below.

<b>Shipment</b>	<b>Profitable (Y/N?)</b>
1	Y
2	Y
3	N
4	Y
<b>Weighted average all shipments</b>	Y

<sup>3</sup> The Anti-Dumping 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.

**Table 3 Profitability of selected imports**

The assessment is at **Confidential Appendix 2**.

## **6.4 Related party suppliers**

DITH purchased all of the goods from the exporter through a related party, Duferco, during the investigation period. The verification team considers Duferco to be an intermediary in each of these transactions. DITH is not related to the exporter, Kukje.

## **6.5 'Arms length'**

In respect of imports of the goods 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, via Duferco:

- the goods have been exported to Australia otherwise than by the importer (the goods were exported by Kukje);
- the goods have not been purchased by the importer (DITH) from the exporter (Kukje). Instead, the goods were purchased by DITH from Duferco facilitating the imports as an intermediary; and
- the purchases of the goods by DITH 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) of the Act.

The verification team recommends that the export price be established under section 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation.

Specifically, the verification team recommends that export price be established using the FOB export price between Kukje and Duferco. The verification team are satisfied that this is an 'arms length' price as outlined at section 6.5.

**7 ATTACHMENTS**

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