



Exporter Verification Report

Verification & Case Details

Initiation Date	10/09/2020	ADN:	2020/102
Case Number	566		
The goods under consideration	Steel Reinforcing Bar		
Case type	Review of Measures		
Exporter	Daehan Steel Co Ltd		
Location	Remote Verification		
Verification from	5/01/2021	to	29 March 2021
Review Period	1/07/2019	to	30/06/2020

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 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.

2 COMPANY BACKGROUND

2.1 Corporate Structure and Ownership

Daehan Steel Co., Ltd. (Daehan) was founded on June 10, 1954 and is listed on the Korean Stock Exchange. It is a steel manufacturer that produces square billet, deformed bar-in-length (DBIL), deformed bar-in-coil (DBIC), and processed rebar products that are sold in the Republic of Korea (Korea) and to various export markets, including Australia.

Daehan's head office is situated in Busan, Korea. Its factories are located in Busan and Pyeongtaek, Korea.

Major shareholdings in Daehan are attributable to natural persons and the issuance of treasury stock. Further, Daehan is the parent company (investor) to a number of subsidiary entities and joint ventures, with percentage ownership of varying degrees.

2.2 Related Parties

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

2.2.1 Related suppliers

The verification team has found that a small proportion of Daehan's raw material acquisitions during the review period were from two wholly owned subsidiaries, based in Korea and the United States of America (U.S).

During the review period, Daehan's wholly owned subsidiary (based in Korea) was the provider of logistical services (inland transport, port handling and freight) in respect of Daehan's Australian export and domestic sales of steel reinforcing bar ('rebar' more specifically DBIL and DBIC). The related supplier served as a conduit between Daehan and unrelated third parties, whom ultimately rendered the services.

The verification team's assessment of the arms length nature of transactions between Daehan and its related suppliers is made at section 7.3 of this report.

2.2.2 Related customers

A portion of Daehan's domestic sales of rebar during the review period were to related customers, being distributors or processors of DBIL and DBIC products.

The verification team's assessment of the arms length nature of transactions between Daehan and its related customers is made at section 9.1.1 of this report.

2.3 Accounting records

Daehan's audited financial statements for the period 1 January 2019 to 31 December 2019 included a statement that the financial accounts complied with the Korean International Financial Reporting Standards (Korean IFRS).

The verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Korea.

3 THE GOODS AND LIKE GOODS

3.1 Production Process

Daehan is a fully integrated manufacturer of rebar. The production process, as was described by Daehan, is as follows:

- steel scrap is melted in an electric arc furnace;
- the resultant molten scrap is subject to higher temperatures, impurities are removed and chemical components such as carbon, manganese, silicon, phosphorous and sulphur are adjusted to yield the desired physical and chemical properties. During this phase, rigorous validation activities are undertaken to maintain optimal chemical composition;
- billets are produced from ingot by way of continuous casting. The semi-finished product is used in the manufacture of a range of products;
- billet is reheated, processed and shaped in the rolling mill to the customer's requested specifications; and
- products are subsequently cooled, cut to length or wrapped into coil form.

3.2 Model Control Codes (MCCs)

Daehan provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the Model Control Code (MCC) structure defined in Anti-Dumping Notice (ADN) No. 2020/102.

3.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is not necessary to make amendments to the MCC structure.

3.2.2 Verification of MCCs

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

Category	Determination of the sub-category
Prime	Reconciled to internal product codes
Minimum Yield Strength	Internal product codes Purchase order
Finished form	Commercial invoices Mill certificates (where relevant)
Nominal diameter	Packing lists Bill of lading (where relevant)
Length	
Deformation pattern along length	Reconciled to Internal product codes

Table 1 - MCC sub-category determination

3.3 The goods exported to Australia

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

Australian export sales -MCCs	
1	P-C-C-B-C-N
2	P-C-C-C-C-N

Table 2 – Australian export sales - MCCs

3.4 Like goods sold on the domestic market

The verification team was satisfied that Daehan sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

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

Domestic sales – MCCs	
1	P-A-S-A-2-N
2	P-A-S-B-2-N
3	P-A-S-C-1-N
4	P-A-S-C-2-N
5	P-B-C-A-C-N
6	P-B-C-B-C-N
7	P-B-S-A-2-N
8	P-B-S-B-1-N
9	P-B-S-B-2-N
10	P-B-S-C-1-N
11	P-B-S-C-2-N
12	P-C-C-A-C-N
13	P-C-C-B-C-N
14	P-C-S-A-2-N

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Domestic sales – MCCs	
15	P-C-S-B-1-N
16	P-C-S-B-2-N
17	P-C-S-C-1-N
18	P-C-S-C-2-N
19	P-D-S-B-2-N
20	P-D-S-C-1-N
21	P-D-S-C-2-N

Table 3 – Domestic sale sales - MCCs

3.5 Like goods – assessment

The verification team considers that the goods produced by Daehan 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.

4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

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

- the total revenue as reported in Daehan's 2019 audited financial statements (period from 1 January 2019 to 31 December 2019) was reconciled to the trial balance generated from its accounting system records for the equivalent period. The verification team was broadly satisfied of the propriety and accuracy of Daehan's trial balance records;
- total revenue for the review period was derived by way of calculation, with reference to trial balances. This entailed, for all accounting codes relevant to revenue:
 - subtraction of amounts in respect of the period 1 January 2019 to 30 June 2019; and
 - addition of amounts in respect of the period 1 January 2020 to 30 June 2020, from and to respectively, the trial balance amounts for the 2019 audited period;
- total revenue for the review period, as captured in and calculated from Daehan's trial balance was reconciled to the exporter's disaggregation of revenue by product categories. Product categories are defined within accounting sales records by product codes;
- for product codes pertaining to rebar, detailed sales and billing lists were extracted from Daehan's sales system. The total revenue attributable to DBIC and DBIL was reconciled to that reported by Daehan in its REQ;
- Daehan demonstrated the ability to differentiate within raw sales and billing data;
 - sales of rebar in the domestic market from that made to export markets, through the application of 'channel code' parameters embedded within sales records; and
 - sales destined to Australia from that destined to other export markets, by reference to customer codes;
- the sales values and volumes of rebar in the domestic and Australian market in the raw sales and billing data (applying the criteria described above) was traced to the REQ Australian and domestic sales listings; and
- the REQ domestic sales listing was reconciled to raw sales and billing data, by factoring in billing adjustments recognised in Daehan's records which had been manually ascribed to individual transactions.

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 completeness and relevance

No.	Exception	Resolution
1	In reconciling the sales value and volume of like goods as reported in the REQ domestic sales listing to raw sales and billing data extracted from Daehan's sales system, the verification team identified that Daehan had not accounted for billing adjustments raised outside the review period but associated with sales transactions recognised in the review period.	Daehan revised the domestic sales listing to incorporate all billing adjustments that were relevant to the sale of like goods during the review period. Daehan advised that this merited manual processes. The verification team traced selected billing adjustments raised outside the review period (as captured in sales records) to source documents such as credit notes and customer sales summaries as a means of validating the reasonableness of Daehan's approach and to test for appropriate inclusion and exclusion of these adjustments. No further issues arose from these procedures.

Table 4 - Exceptions during verification of completeness and relevance of sales data

4.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Daehan, including any required amendments as outlined in the exception table above, is complete and relevant.

4.3 Domestic barter sales

Daehan's domestic sales are typically classified as commercial or barter transactions.

During the review period, a portion of like goods sold on the domestic market were made under a barter arrangement where Daehan sold DBIC and DBIL to its customers in exchange for commodity products.

The verification team has assessed the price setting mechanism in respect of sales made under barter arrangement during the review period and considers that there were no substantive changes from that of the original investigation. The original investigation found that the pricing of barter trades were based on notional prices and as such, these sales were not considered to be arms length transactions.

Therefore, consistent with the Commission's previous findings, Daehan's barter trades in the review period are not taken by the verification team to be arms length transactions.

Further details are contained at **Confidential Attachment 1**.

5 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**.

5.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
2	At the commencement of the remote verification, Daehan identified typographical errors in payment terms for certain Australian sale transactions, resulting in errors in its calculation of credit costs.	Daehan provided the verification team with a revised Australian sales listing to remedy the errors. The verification team tested the inputs the basis of Daehan's calculation of payment days as part of the downwards verification of the Australian sales listing. No material errors were identified during this process. To calculate export credit costs for the purposes of an adjustment to normal value, the verification team calculated the weighted average payment days for Australian sales during the inquiry period (using the verified data provided by Daehan) and an appropriate rate of interest. Refer to Chapter 10 of this report.
3	At the commencement of the remote verification, Daehan advised the verification team that the credit cost calculation for certain domestic sales of like goods during the review period was based on incorrect net sales values.	Daehan provided the verification team with a revised domestic sales listing to amend the errors. The verification team tested payment terms and the interest rate relevant to the credit cost calculations as part of the downwards verification of the exporter's domestic sales. No material errors were identified during this process and the verification team recalculated credit costs adopting the verified payment terms and interest rate.
4	For one Australian export sale, it was identified that port charges were assimilated with ocean freight expenses. The verification team considered that disaggregation of these expenses was warranted such that the export price at the Free on Board (FOB) level would be accurately reflected.	Daehan provided a revised invoice issued by the service provider which separately identified ocean freight expenses. Accordingly, the verification team revised the Australian sales listing, amending the ocean freight expense and port charges incurred for the affected sale.
5	The verification team's preliminary review of the domestic sales listing identified a considerable number of sales transactions made on "Delivered" terms, however, inland transport costs were not attributed. Daehan explained that the delivery terms for the isolated transactions had been	Daehan prepared a revised domestic sales listing to remedy the errors in respect of delivery terms for the affected transactions. The verification team assessed that the revised domestic sales listing appropriately reflected the delivery terms of all domestic sales on the basis of a

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No.	Exception	Resolution
	erroneously ascribed and such sales were made on Ex-Factory (EXW) terms.	review of sales order records and Daehan's method of tracing freight expenses to individual transactions.
6	<p>For one selected domestic sales sample, the verification team considered that the billing adjustment which had been allocated in its entirety to the single sale, was of such a nature that it was more broadly relevant to domestic sales of certain products over the review period for the particular customer.</p> <p>Consequently, the verification team requested that the billing adjustment be apportioned over a larger population of sales to which it applied and that Daehan identify and where appropriate, amend other billing adjustments that had been allocated to domestic sales in a comparable manner.</p>	<p>For the affected sales transaction, Daehan provided source documents (agreements) to demonstrate the manner in which the billing adjustment was calculated and the period with which it related.</p> <p>Daehan provided workings to support the reallocation of the billing adjustment in the domestic sales listing across a broader set of sales transactions for the particular customer, consistent with the nature of the billing adjustment.</p> <p>The inputs of the exporter's calculations (adjustment amount and relevant volumes) were corroborated by source documents such as adjustment notes and raw data from the sales record system.</p> <p>The verification team examined the revised domestic sales listing and did not find anomalies in pricing that would indicate that the adjustment error had not been rectified.</p>
7	<p>Certain domestic sales transactions sampled for testing to source documentation were characterised by negative sales values. The verification team considered this to be the potential consequence of the approach adopted by Daehan in allocating billing adjustments.</p> <p>The verification team requested that Daehan re-examine the nature of the billing adjustment and where merited, adopt a more appropriate and reasonable basis for allocation.</p>	<p>In its revised domestic sales listing, the billing adjustment had been reallocated such that the negative sales values were removed.</p> <p>Daehan explained that the more appropriate allocation basis for the billing adjustment was sales value rather than sales quantity.</p> <p>The exporter provided its calculation workings to support its revision to the domestic sales listing. The verification team reconciled the allocation inputs to the adjustment note and considered the revised methodology appropriate in the context of the reasons for raising the billing adjustment.</p> <p>Daehan advised that the billing adjustments issue was confined to the identified sales. The verification team examined the revised domestic sales listing and did not find anomalies in pricing that would indicate that the adjustment error had not been remedied.</p>
8	<p>For two domestic sales samples, the verification team identified two issues concerning Daehan's allocation methodology for the billing adjustments:</p> <ul style="list-style-type: none"> • the adjustment was in respect of other sales volumes such that their exclusion would give rise to an over-allocation for the sales subject to testing; and • two adjustments applied to the selected sales, albeit the sales volumes with which each adjustment note more broadly applied to were different. The summation of two credit notes relating to dissimilar quantities as the basis of allocation did not accurately reflect the rate at 	<p>At the request of the verification team, Daehan revised the domestic sales listing to remedy the issues.</p> <p>The exporter provided its calculation workings to support the reallocation reported in the revised listing. This was validated by the verification team by way of re-calculation and tracing inputs to source documents (adjustments notes).</p> <p>Daehan was asked to identify all misallocations of a similar kind and amend affected transactions within the domestic sales listing. A domestic sale subject to a reallocation of a billing adjustment was selected as a further test of the appropriateness of Daehan's revisions. No additional matters were identified.</p>

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No.	Exception	Resolution
	which the billing adjustment should be apportioned to sales.	

Table 5 - Exceptions during verification of accuracy of sales data

5.2 Sales accuracy finding

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

6 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 cost of goods sold (COGS) as reported in the 2019 audited financial statements was reconciled to the trial balance generated from Daehan's accounting records for the equivalent period. The verification team was broadly satisfied of the propriety and accuracy of Daehan's trial balance records;
- the COGS for the review period was derived by way of:
 - subtracting trial balance amounts for the period 1 January 2019 to 30 June 2019; and
 - adding trial balance amounts for the period 1 January 2020 to 30 June 2020;
- the COGS for the review period from the trial balance was reconciled to inventory ledgers across various product categories;
- for the product category which captured the goods under consideration, the inventory ledger COGS value was reconciled to the total cost of production as recorded in detailed reports generated from Daehan's production system. In doing so, changes in inventory and other accounting adjustments during the review period were factored into COGS. These movements were underpinned by inventory and accounting records;
- within the relevant product category, Daehan demonstrated the differentiation of CTM for DBIL and DBIL from that of other products through the application of product/material code filters. Product/material codes were also adopted as means of designating MCC categories to cost data;
- the production costs and quantities as claimed in the REQ Australian and domestic CTM worksheets were reconciled to the detailed cost reports mentioned above.

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

- SG&A expenses reported in the 2019 audited financial statements were traced to the 2019 trial balance without exception;
- the quantum of SG&A expenses for the review period was derived from the trial balance in the manner described above (for CTM); and
- review period SG&A amounts were in turn, reconciled to the REQ 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**.

6.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
9	In its SG&A expense calculation Daehan appropriately excluded expenses incurred in respect of assets held exclusively for investment purposes. However, the verification team identified that the exporter had incorporated the associated revenue generated from the investment, which it did not consider relevant to the calculation.	The verification team revised the SG&A expense calculation, removing revenue attributable to the investment asset during the review period, which could be quantified by reference to accounting income ledgers.
10	<p>Daehan excluded a portion of service contract charges in its SG&A expense calculation which it claimed were direct selling expenses (and therefore an adjustment to normal value). Daehan was of the view that the technical support expenses pertained to the sale of DBIC in its domestic market.</p> <p>The verification team considered that the expenses related more broadly to the sale of like goods on the domestic market such that their inclusion in the SG&A expense calculation was appropriate.</p> <p>As detailed in Chapter 10 of this report, the verification team did not accept an adjustment to normal value for the expenses incurred.</p>	<p>The verification team revised Daehan's SG&A expense calculation to assimilate technical expenses. The previously excluded amount could be traced to accounting ledgers.</p> <p>Technical expenses related to Daehan's domestic sales and other expenses were relevant to all of Daehan's product sales, irrespective of market. The verification team modified the calculation such that:</p> <ul style="list-style-type: none"> • where expenses applied to all products and markets, an amount of domestic SG&A expense was derived with reference to the proportion of Daehan's sales value for all products attributable to its domestic market (as validated to trial balances); and • the full amount of technical expense excluded was treated as a domestic SG&A expense. <p>The resultant change in the domestic SG&A expense percentage from that originally calculated by Daehan was marginal.</p>

Table 6 - Exceptions during verification of completeness and relevance of CTMS data

6.2 Completeness and relevance finding of CTMS data

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

7 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY

7.1 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 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Allocated by the production system on the basis of consumption quantity. The verification team validated raw material quantities consumed to production records and actual costs of raw materials to commercial invoices.
Scrap Allocation	Allocated by the production system at the material/product code level on the basis of production quantity. The value of scrap offsetting raw material costs is based on the weighted average prices from prior months. Inputs for scrap allocation were traced to cost conversion reports, inventory ledgers and price configuration summaries which quantified scrap recovery volumes and unit values.
Manufacturing Overheads	Configured by production system to allocate at the product/material code level based on actual rates for activity drivers. The activity driver adopted (electricity/LNG usage, processing time, outsourcing quantity) is reliant on the nature of the production cost. Allocation inputs were reconciled to actual production bill of materials, cost ledgers and commercial invoices.
Labour	Allocated by production system at the product/material code level on the basis of actual production time (machine operating hours). Allocation inputs were underpinned by cost ledgers, actual bill of materials and plant cost conversion reports.
Depreciation	Allocated by production system at the product/material code level on the basis of actual production time (machine operating hours). Allocation inputs were underpinned by asset ledgers, actual bill of materials and plant cost conversion reports.
Variances	All cost components are initially recorded at standard costs. Each month, these are replaced with actual costs, and variances settled at the individual material/product code level. Production records clearly differentiate actual costs from standard costs and variances. The verification team has validated actual costs and activity drivers.

Table 7 - Cost allocation method

7.2 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**.

7.3 Related party suppliers

7.3.1 Raw materials

As outlined at section 2.2.1 of this report, Daehan's raw material purchases (steel scrap) for the review period were predominantly sourced from independent, unrelated parties. In respect of the portion that was acquired from wholly owned subsidiaries during the review period, the verification team's comparison of raw material purchases from related and unrelated suppliers did not find a definitive or consistent pattern that would indicate that particular supplier relationships influenced purchase prices.

Further, Daehan demonstrated the manner by which raw material purchase prices were negotiated between related and unrelated parties. The verification team is satisfied from its examination of source documents relevant to price setting/negotiation, that irrespective of the supplier relationship, prices were determined by reference to competitive and prevailing market prices for steel scrap.

The verification team considers that Daehan's raw material purchases from related suppliers during the inquiry period were arms length transactions.

7.3.2 Logistical services

Notwithstanding that such costs are not captured in CTMS, as set out at section 2.2.1 of this report, a wholly owned subsidiary of Daehan was the provider of transport and logistical services during the review period in respect of its Australian and domestic sales.

The verification team found from its examination of source documents relevant to price setting/negotiation that the pricing between the related supplier and Daehan was based on that charged by independent third parties, assimilating an amount for profit.

The verification team considers that the provision of logistical services by related party suppliers to Daehan during the review period reflected competitive prices and were arms length transactions.

7.4 Accuracy finding

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

8 EXPORT PRICE

8.1 The importers

In relation to Daehan's Australian exports sales made via an intermediary during the review period, the verification team considers that the ultimate Australian customer was the beneficial owner of the goods at the time of importation and therefore the importer as they:

- were named as the notify party on the bill of lading and other shipping documents;
- declared as the importer in ABF records;
- arranged for customs clearance, duty payment and import charges; and
- arranged for delivery within Australia.

In relation Daehan's Australian export sale direct to the Australian customer during the review period, the verification team considers the Australian customer was the beneficial owner of the goods at the time of importation and therefore the importer as they:

- were named as the purchaser on the commercial invoice;
- named as the consignee on the bill of lading;
- declared as the importer in ABF records;
- arranged customs clearance and duty payment; and
- paid for importation charges.

8.2 The exporter

The verification team considers Daehan to be the exporter of the goods², as Daehan:

- was the manufacturer of the goods;
- was named on the commercial invoice as the supplier;
- was named as consignor/shipper on the bill of lading;
- arranged and paid for the inland transport to the port of export;
- arranged and paid for the port handling charges at the port of export; and
- for certain Australian export sales during the review period, paid for ocean freight expenses, in accordance with the terms of sale.

The verification team is satisfied that for all Australian export sales during the review period, that Daehan was the exporter of the goods.

8.3 Arms length

In respect of Daehan's Australian sales of the goods during the review period, all of which were to unrelated parties, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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- 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 received a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all export sales made by Daehan (regardless of whether through an intermediary or direct to customer) to its unrelated Australian customers during the review period were arms length transactions.

8.4 Export Price – assessment

In respect of the one (1) export sale of the goods by Daehan direct to the Australian customer during the review period, the verification team recommends that the export price be ascertained under section 269TAB(1)(a), as the price paid by the importer to the exporter, less transport and other costs arising after exportation.

In respect of all other Australian sales of the goods by Daehan through an intermediary during the review period, the verification team considers that as the goods were not purchased by the importer from the exporter, the export price cannot be ascertained under subsections 269TAB(1)(a) or 269TAB(1)(b). The verification team recommends that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the verification team recommends that the export price be determined as the price between Daehan and the intermediary trader involved in the sale of the goods to Australia.

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

³ Section 269TAA refers.

9 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).

9.1 Arms length

9.1.1 Commercial sales - Related party customers

In respect of Daehan's commercial domestic sales of like goods to its related customers during the review 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 received a benefit for, or in respect of, the whole or any part of the price.⁴

The verification team compared domestic selling prices between related and unrelated customers for Daehan's commercial sales and did not find a uniform or definitive pattern that would suggest price discrimination.

The verification team considers that all domestic sales of a commercial nature made by Daehan to its related customers during the review period were arms length transactions.

9.1.2 Commercial sales - Unrelated customers

In respect of Daehan's domestic sales of like goods to its unrelated customers during the review 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 received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales of a commercial nature made by Daehan to its unrelated domestic customers during the review period were arms length transactions.

⁴ Section 269TAA of the Act refers.

9.1.3 Barter trade sales

As set out in section 4.3 of this report, Daehan’s domestic barter sales are not considered by the verification team to have been arms length transactions.

Accordingly, these sales have been removed for the purposes of an assessment of whether domestic sales during the review period were made in the ordinary course of trade.

9.2 Ordinary course of trade

Section 269TAAAD 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.⁵

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

The verification team then tested whether the unprofitable sales were in substantial quantities (not less than 20 per cent) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

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

The following table sets out further detail:

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 review period.

Table 1 - OCOT details

9.3 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 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).

⁵ In general, the Commission will consider ‘extended period’ and ‘reasonable period’ to be the investigation, review or inquiry period.

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The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was five per cent or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

This analysis is detailed in the table below.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-C-C-B-C-N	Y	
P-C-C-C-C-N	N	No domestic sales of this model during the review period. Surrogate model P-C-C-B-C-N adopted, with a specification adjustment for physical differences in respect of nominal diameter made pursuant to section 269TAC(8).

Table 2 - Domestic volumes

For one (1) MCC model exported to Australia with which there were no domestic sales of the identical MCC during the review period, the verification team found sufficient domestic sales volumes of a surrogate model based on the MCC exhibiting the closest physical characteristics under the MCC hierarchy structure. In relying on the surrogate model, the verification team considered that a specification adjustment under section 269TAC(8) was warranted to ensure fair comparison between the price of the export model and the price of the surrogate domestic model.

The specification adjustment was calculated based on the normal value differences of two other MCCs (with reference to the MCC hierarchy) which displayed the same physical differences in the MCC subcategory of nominal diameter. All other physical characteristics for the two MCCs were held constant such that the price distinction could be attributable to nominal diameter.

The verification team's volume analysis is at **Confidential Appendix 3**.

10 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8).

10.1 Rational and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Specification adjustments	As described at section 9.3 of this report, there was one (1) Australian export MCC model (P-C-C-C-C-N) where there were no domestic sales of the identical MCC in the OCOT during the review period. A surrogate domestic MCC model (P-C-C-B-C-N) with sufficient sales in OCOT was adopted for the purposes of determining normal value under section 269TAC(1). A specification adjustment in respect of differences in nominal diameter was made to allow fair comparison between the price of the export model and the domestic surrogate model.	Daehan claimed in the REQ that the standard price list should apply in any specification adjustment to the surrogate model. The verification team was unable to establish how this list, which showed price differences for products across certain nominal diameters was reflected in Daehan's domestic selling prices of DBIC/DBIL during the review period. The specification adjustment was calculated based on the normal value differences of two other MCCs (with reference to the MCC hierarchy) which displayed the same physical differences in the relevant MCC subcategory of nominal diameter. Further, for one of the MCCs used to calculate price differences, where normal value data was not available in certain quarters, the verification team adopted the normal value of the previous quarter and applied a timing adjustment to account for movement in prices between quarters, with reference to a MCC which exhibited similar physical characteristics.	Y	Y
Domestic credit terms	Daehan had different payment terms for domestic and Australian export sales.	Credit interest rate based on the average of rates applicable to publicly issued corporate bonds of various short term maturities. Payment days as agreed with the customer and agreed to sales order records.	Y	Y
Domestic inland transport	Daehan incurred inland transport costs for goods delivered to its domestic customers. These costs differed from inland transport costs in respect of its Australian export sales.	Expenses incurred were linked to individual domestic sales invoices through a process of manual tracing. Expenses assigned to individual line items in Daehan's domestic sales listing were corroborated by commercial freight invoices.	Y	Y
Domestic technical expense	Daehan claimed an adjustment to normal value was merited in respect of technical support expenses (repair, consultation) for	Chapter 15 of <i>The Dumping and Subsidy Manual</i> (the Manual) states that adjustments will be made if there is evidence that a particular difference affects price comparability.	Y	N

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
	domestic sales of DBIC to certain customers during the review period.	<p>The verification team considered that the nexus between technical service expenses and domestic sales of DBIC were indirect. More specifically, services of this nature were provided to customers who leased coil processing equipment and therefore, the associated expenses were more relevant to fabricated products which are not like goods.</p> <p>Importantly, a distinction in DBIC domestic selling prices between customers whom support services applied and customers who did not receive services was not apparent from the verification team's examination of Daehan's domestic sales listing.</p> <p>Consequently, the claimed adjustment was accepted by the verification team. Refer to Confidential Attachment 2 – Adjustment Claim Analysis.</p>		
Domestic inventory carrying costs	Daehan claimed in its REQ that domestic sales of like goods are taken from inventory and Australian export sales are produced to order. Owing to this distinction, Daehan claimed that a downwards adjustment should be made to its normal values to account for the opportunity cost of holding inventory for domestic sales.	<p>The Manual states at page 79 that inventory carrying costs relate to the general cost of doing business. An adjustment may be contemplated where the exporter can demonstrate that the cost of holding goods is different in so far as they relate to domestic and export sales and this difference is reflected in selling prices.</p> <p>The verification team reviewed inventory ledgers/balances at various points of the review period and found that rebar sold on the domestic and Australian market was held as stock.</p> <p>While Daehan evidenced a production order in response to an Australian export sales order, an analysis of production and sales data showed that for certain product codes only sold in the Australian market during the review period, sales volumes were materially different to that of production volumes. The verification team considers that these observations taken collectively suggest that Australian export sales can be fulfilled from inventory holdings.</p> <p>While Daehan considered inventory carrying costs to be reflected in its domestic selling prices, it did not provide further evidence or analysis to substantiate this claim during the remote verification.</p> <p>As the verification team could not establish a cost or price difference, the claimed adjustment was not accepted.</p>	Y	N

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
		Refer to Confidential Attachment 2 – Adjustment Claim Analysis.		
Export inland transport	Daehan incurred inland transport expenses for the delivery of goods for export to Australia from its factory to the port.	Expenses were traced manually to Australian export sales invoices. The accuracy of the expenses attributed to individual Australian sales was substantiated by the relevant bill of lading and commercial freight invoices.	Y	Y
Export port and handling charges	Daehan incurred handling other port charges for its export sales to Australia.	Expenses were traced manually to Australian export sales invoices. The accuracy of the expenses attributed to individual Australian sales was substantiated by the relevant bill of lading and commercial invoice for port/handling charges.	Y	Y
Bank charges	A small amount for bank charges applied to Daehan's Australian export sales.	A standard amount applied for each transaction and allocated to invoice line items on the basis of quantity. Charges were supported by bank statements.	Y	Y
Export credit terms	Daehan had different payment terms for domestic and Australian export sales.	There are no credit terms offered for exports. An upwards adjustments to the normal value would not be warranted.	Y	N

Table 3 Assessment of adjustments

10.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Specification adjustment	As above.
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Export inland transport	Add an amount for export inland transport
Export port/handling charges	Add an amount for port/handling charges
Export bank charges	Add an amount for export bank charges

Table 4 Summary of adjustments

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3.**

11 NORMAL VALUE

The verification team found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The verification team has determined a preliminary normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect the comparison of domestic prices with export prices, as outlined in chapter 10.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

12 DUMPING MARGIN

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the review period.

The dumping margin for the goods exported to Australia by Daehan for the period is **4.7 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

13 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Normal Value
Confidential Appendix 4	Dumping Margin
Confidential Attachment 1	Verification work program
Confidential Attachment 2	Adjustment claim analysis