



Exporter Verification Report

Verification & Case Details

Initiation Date	31/05/2021	ADN:	2021/073
Case Number	584		
The goods under consideration	Merchant Bar		
Case type	Dumping Investigation		
Exporter	Feng Hsin Iron and Steel Co Ltd		
Location			
Verification from	29/09/2021	to	7/10/2021
Investigation Period	1/04/2020	to	31/03/2021

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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PREFACE

This report details the verification team's findings, analysis, evidence relied upon and reasoning on key verification outcomes for publication on the public record in relation to data submitted to the Anti-Dumping Commission (the commission) by Feng Hsin Iron and Steel Co Ltd (Feng Hsin).

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* (Cth) (the Act).¹

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

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Feng Hsin is a steel manufacturer located in Taichung City, Taiwan. The company was incorporated in 1969 and was listed in the Taiwan Stock Exchange in 1992.

The company produces merchant bars and rebar, and its production lines include angle bar, square bar, channel, flat bar, rebar, round bar and bar in coil.

1.2 Related Parties

The verification team found that Feng Hsin did not have any related party customers or suppliers of the goods during the investigation period.

1.3 Accounting records

Feng Hsin's audited financial statement was audited by Ernst & Young and includes a statement that the financial accounts comply with Generally Accepted Accounting Principles of Taiwan.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

In relation to the goods, Feng Hsin described its production process as follows:

Step 1: Radiation detecting

From the scrap steel purchased by Feng Hsin, the company's staff manually analyse the scrap to assess which scrap are to be used in the production process. The scrap that is used then undergoes radiation detecting.

Step 2: Melting

The scrap steel used in production is melted.

Step 3: Steel billet is stored by heat-number

The billet is either transferred to the rolling (finished goods) process or the steel warehouse for storage.

Step 4: Inspection

The billets are assessed to see if they have defects.

Step 5: Reheating

The billets are reheated heated before entering the rolling process.

Step 6: Rolling

The billets are transferred to various steel manufacturing lines, and are turned into finished goods (merchant bar or rebar).

Step 7: Appearance inspection

The finished goods undergo an inspection process.

Step 8: Production cutting

Certain products are cut to the length requested by customers.

Step 9: Bundling and warehousing

The products are bundled and are stored in the company's warehouse, which is part of Feng Hsin's production plant.

Step 10: Radiation detecting

The products undergo radiation detecting before they are transported to customers.

2.2 Model Control Codes (MCCs)

Feng Hsin provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2021/73.

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The company proposed two additional categories to the MCC structure. One category was based on price premiums for steel standards. The other was based on price premiums for product dimensions.

The steel standard premiums apply to all products, whereas the dimension premiums are applied differently to angles, flats and channels (all 3 products are the goods).

The company provided tables demonstrating the expected price premiums relating to its sales listings. The company used identifiers (e.g. A, B) for these tables, and included the expected price premium(s) for each identifier. Each identifier is linked to the respective steel standard and product dimension in the company's export and domestic sales listings.

The verification team notes that for the steel standard table, the second column relates to section steel bar (commonly used bar) and the third column relates to special bar steel (less common bar that is produced from a different workshop in the factory) applicable to flat bar products.

The verification team notes that the special bar standard premium factors in a quality premium in addition to the standard premium. The company explained that the quality premium is not linked to any special bar standard and instead is based on customer preferences.

The price premium table structures provided by the company are seen below:

Steel standard

Proposed standard identifier	Section steel	Special bar
A	X	
B	X	
C	X	
D		X
E		X
F		X
G		X

Table 1 – Feng Hsin premium proposal table for steel standard

Flats dimension

The verification team notes that for the flats dimension table, the second column relates to section steel bar dimension premiums and the third column relates to special steel bar dimension premiums.

Proposed flats dimension identifier	Section steel	Special bar
A	X	
B	X	
C	X	
D	X	
E	X	X

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F		X
G		X
H		X
I		X

Table 2 – Feng Hsin premium proposal table for flats dimensions

Angles dimension

Proposed angles dimension identifier	Section steel
A	X
B	X
C	X
D	X

Table 3 – Feng Hsin premium proposal table for angles dimensions

Channels dimension

Proposed channel dimension identifier	Section steel
A	X
B	X

Table 4 – Feng Hsin premium proposal table for channels dimensions

2.2.1 Findings in relation to the proposed MCC categories

The verification team used the tables provided by the company, as well as the information provided by the company in the form of price breakdowns and the relevant sales listings, in order to be satisfied whether the claimed price premiums warrant the implementation of proposed MCC categories, and its identifiers.

The findings of the verification team are summarised in the following tables:

Steel standard findings

Proposed standard identifier	Treatment of identifier by the verification team	Explanation	Final standard category identifier in final MCC table
A	Accept	Represents no premium as identified.	A
B	Accept	The verification team identified price premiums to validate this identifier.	B
C	Accept	The verification team identified price premiums to validate this identifier.	C
D	Accept	The verification team found price premiums for this identifier, noting that products with identifier “D” were sold in the domestic market only.	D

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		However, the verification team found that price premiums for this identifier also factors in a different premium (i.e. not a not a standard premium) which is based on customer preference, and cannot be linked to the standard premium. Given no product with standard “D” was exported to Australia during the period of investigation, the verification team finds it appropriate to accept identifier “D”.	
E	Merge with identifier “D”	Similar to identifier “D”, this identifier also factors in a different price premium which cannot be linked to the standard premium. Additionally, no product with standard “E” was exported to Australia during the period of investigation. Accordingly, the verification team finds it appropriate to merge this identifier with identifier “D”.	N/A
F	Merge with identifier “D”	Similar to identifier “D”, this identifier also factors in a different price premium which cannot be linked to the standard premium. Additionally, no product with standard “F” was exported to Australia during the period of investigation. Accordingly, the verification team finds it appropriate to merge this identifier with identifier “D”.	N/A
G	Merge with identifier “D”	Similar to identifier “D”, this identifier also factors in a different price premium which cannot be linked to the standard premium. Additionally, no product with standard “G” was exported to Australia during the period of investigation. Accordingly, the verification team finds it appropriate to merge this identifier with identifier “D”.	N/A

Table 5 – Steel standard MCC identifier findings

Flats dimension findings

Proposed flats dimension identifier	Treatment of identifier by the verification team	Explanation	Final flats dimension category identifier in final MCC table
A	Accept	Represents no premium as identified.	A
B	Merge with identifier “A”	The verification team did not identify price premiums to validate this identifier.	N/A
C	Accept	The verification team identified price premiums to validate this identifier.	B
D	Accept	The verification team identified price premiums to validate this identifier.	C
E	Accept	The verification team identified price premiums to validate this identifier.	D
F	Merge with identifier “C”	The verification team identified price premiums in line with identifier “C”.	N/A

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G	NA	No sales during the investigation period.	N/A
H	Merge with identifier "C"	The verification team identified price premiums in line with identifier "C".	N/A
I	N/A	No sales during the investigation period.	N/A

Table 6 – Flat dimension MCC identifier findings

The verification team notes that there are two extra flats dimension identifiers for two flats dimensions, given that these flats dimensions have a premium based on special bar steel standards. The final identifiers for these two dimensions are "E" and "F", following on from the above table.

Angles dimension findings

Proposed angles dimension identifier	Treatment of identifier by the verification team	Explanation	Final angles dimension category identifier in final MCC table
A	Accept	Represents no premium as identified.	A
B	Merge with identifier "A"	The verification team did not identify price premiums to validate this identifier.	N/A
C	Accept	The verification team identified price premiums to validate this identifier.	B
D	Accept	The verification team identified price premiums to validate this identifier.	C

Table 7 – Angles dimension MCC identifier findings

Channels dimension findings

Proposed channels dimension identifier	Treatment of identifier by the verification team	Explanation	Final channels dimension category identifier in final MCC table
A	Accept	Represents no premium as identified.	N/A - No dimension premiums for angles observed.
B	Merge with identifier "A"	The verification team did not identify price premiums to validate this identifier.	N/A - No dimension premiums for angles observed.

Table 8 – Channels dimension identifier findings

2.2.2 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it necessary to make amendments to the MCC structure in line with the above MCC findings tables, for:

- steel standard

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- flats dimensions
- angles dimensions
- steel grade (MPa).

No.	Exception	Resolution
1	In line with the MCC findings tables above, the verification team found that certain standard and dimension identifiers should be revised in the export and domestic sales listings in order to be consistent with the final MCC identifiers.	Considering the MCC findings tables above, the verification team revised the relevant MCC identifiers in the export and domestic sales listings.
2	The verification team found that based on the data provided by the exporter, the grade (MPa) MCC category is not a factor that drives price. The verification team finds that the exporter's proposed steel standard MCC category is a suitable substitute for the grade category.	The verification team removed the grade (MPa) MCC category for the purposes of the exporter's dumping margin calculations.

Table 9 – Amendments to the MCCs

2.3 Verification of MCCs

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

Category	Determination of the sub-category
Quality	The company stated that all goods were sold as prime on the domestic and export markets. After reviewing exporter's accounting system, production process and sales process, the verification team did not identify any information to suggest that exporter sells non-prime goods in the domestic or export markets.
Shape	For domestic sales: the verification team identified grade on commercial invoices, weighing lists and shipment detail lists. For export sales: the verification team identified shape on commercial invoices, purchase orders, packing lists, export declarations and mill testing certificates.
Grade (MPa)	For domestic sales: the verification team identified grade in extracts from weighing lists and shipment detail lists. For export sales: the verification team identified grade on commercial invoices, purchase orders, packing lists, export declarations and mill testing certificates.
Standard (MCC category proposed by Feng Hsin)	The company provided price breakdowns using export and domestic price lists to demonstrate the standard premiums. The verification team also used the export and domestic sales listings to verify the standard premiums.
Dimension (MCC category proposed by Feng Hsin)	The company provided price breakdowns using export and domestic price lists to demonstrate the dimension premiums. The verification team also used the export and domestic sales listings to verify the dimension premiums.

Table 10 – MCC sub-category determination

The table below displays the relationship between product steel standards and MCC grade (yield strength MPa).

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Feng Hsin steel standard	MCC grade category
1015K	250
1050AK	350
1050K	350
A36	250
A572G50	350
GRA	250
S45C	350
S55C	350
S55CLGW	350
SCM440H	350
SD420	350
SM400A	250
SM490A	300
SN490B	300
SS330	250
SS400	250
SS540	350
SUM23	250
SUP9	350
GR300	300
GR350	350
GR350L0	350

Table 11 – The relationship between product steel standards and MCC grade (yield strength MPa)

2.3.1 Final MCC structure for Feng Hsin

In line with the findings in section 2.2.1, the final MCC structure (for the proposed MCC categories) is seen at **non-confidential attachment 1**.

2.4 The goods exported to Australia

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

P-E-A---B	P-E-A---A	P-P-A----
P-F-A-A--	P-F-A-B--	P-F-A-C--
P-F-A-D--	P-F-B-A--	P-T-A----
P-E-A---C	P-U-A---A	P-E-C---A

Table 12 – List of MCCs exported to Australia

2.5 Like goods sold on the domestic market

The verification team was satisfied that Feng Hsin 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 possess:

- **Physical likeness** – are not distinguished from the exported goods during production. The exported goods and the goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same.
- **Production likeness** – are produced at the same facilities, using the same raw material inputs and manufacturing processes.
- **Commercial likeness** – the goods compete in similar market sectors, are interchangeable and use similar distribution channels.
- **Functional likeness** – can be considered functionally alike, as they have similar end uses.

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

P-E-A---A	P-F-A-D--	P-F-D-A--
P-E-A---B	P-F-B-A--	P-F-D-B--
P-E-A---C	P-F-B-B--	P-F-D-D--
P-E-B---A	P-F-B-C--	P-F-D-E--
P-F-A-A--	P-F-C-A--	P-F-D-F--
P-F-A-B--	P-F-C-B--	P-T-A----
P-F-A-C--	P-F-C-C--	P-U-A---A

Table 13 – List of MCCs sold in the domestic market

2.6 Like goods – assessment

The verification team considers that the goods produced by Feng Hsin for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

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 submitted 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:

- The verification team reconciled the audited financial report for the period 1 January 2020 to 31 December 2020 to management reports for the same period. Adjustments were made by the company, to the management report to exclude the period 1 January 2020 to 31 March 2020 and to add the period 1 January 2021 to 31 March 2021, in order to reconcile to the investigation period.
- The verification team reconciled the management report to the trial balance for the investigation period.
- The verification team reconciled the trial balance to the sales listing and sales report of goods not under consideration for the investigation period.
- The verification team reconciled the trial balance to totals of the domestic, export and third country sales listing for the investigation period.

The verification team identified an issue 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
3	In reviewing the extraction of the domestic sales listing, the verification team found that angles with thickness at exactly 2.5mm were identified as the goods.	Feng Hsin provided a revised domestic sales listing excluding angles with thickness at exactly 2.5mm. Where relevant, Feng Hsin also revised the other appendices in its REQ to reflect this change.

Table 14 – 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 submitted by Feng Hsin, including the required amendments as outlined in the exception table 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
4	In reviewing the Australian sales listing, Feng Hsin identified that bank charges were not properly allocated to the sales.	Feng Hsin provided a revised Australian sales listing, making changes to the column 'total bank charge' to allocate bank charges to sales received in the same payment to address this issue.
5	The verification team found that sales lines in the Australian sales listing had payment terms, but did not have any payment days listed.	Based on the information provided during the verification, the verification team found it appropriate to classify all telegraphic transfer (TT) transactions with the appropriate payment days, and letter of credit (LC) transactions with zero payment days.
6	In reviewing the domestic sales listing, Feng Hsin identified that order date for some sub-orders should be the same date as its parent order.	Feng Hsin provided a revised domestic sales listing, making changes to the column 'order date', by amending the order date for sub-orders to be the same as its parent order date.
7	In reviewing the domestic sales listing, Feng Hsin identified that sales returned in its entirety were included in the sales listing. These returned sales were identified by missing quantities and invoice values.	Feng Hsin provided a revised domestic sales listing, removing sales with missing quantities and invoice values from the list. Handling charges collected from customers for required pieces included in the same shipment bundle as returned goods is accounted for under the column 'other charges'.
8	In reviewing the domestic sales listing, Feng Hsin identified 2 sales returns offset to the wrong sales.	Feng Hsin provided a revised domestic sales listing by identifying the correct sales to offset the 2 sales returns and made changes to the corresponding columns, being 'quantity' and 'value'.
9	In reviewing the domestic sales listing, Feng Hsin identified that the inland transport for sales delivered through a backhaul process were calculated in standard freight rates.	Feng Hsin provided a revised domestic sales listing by making changes to the column 'inland transport' to calculate the correct freight rates for sales delivered through backhaul.
10	The verification team noted that some sales marked as having ex-works delivery terms had corresponding inland freight costs,	The verification team removed the inland freight expenses associated with ex-works sales from the domestic sales listing.

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	even though inland freight would have been paid by the customer for ex-works sales.	
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Table 15 – Exceptions during verification of accuracy of sales data

4.2 Date of sale

As outlined in the commission’s *Dumping and Subsidy Manual*, in establishing the date of sale, the commission will normally use the date of invoice as it best reflects the material terms of sale. As part of the verification process, Feng Hsin claimed that the date of sale for its Australian and domestic sales should be the order date.

The verification team examined the evidence available, and tested Feng Hsin’s claims.

For Australian sales and for any domestic sales with corresponding purchase orders, the verification team found that the purchase order details the unit price for goods purchased, and this price remains unchanged with respect to invoicing. For any domestic sales without purchase orders, the verification team found that the material terms of the purchases were set at the time of order through Feng Hsin’s online ordering system.

Accordingly, the verification team finds that the order date should be used as the date of sale for Australian and domestic sales.

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

4.3 Sales accuracy finding

The verification team is satisfied that the sales data submitted by Feng Hsin, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information submitted 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 verification team reconciled the reported total cost of goods sold for the financial reporting period (calendar year 2020) to the audited income statement.
- The verification team reconciled the total cost of goods sold for the investigation period to an extract from Feng Hsin's accounting system, produced live during the verification.
- The verification team reviewed and accepted the adjustments reported to reconcile the total cost of goods sold to the total cost to make all goods.
- The verification team reconciled the total cost to make the goods under consideration to Feng Hsin's inventory ledger, taking note of the exceptions below.

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

- The verification team reconciled the total SG&A expenses for the financial reporting period (calendar year 2020) to the audited income statement.
- The verification team reconciled the reported total SG&A expenses for the period of investigation to the relevant income statement extracted from Feng Hsin's accounting system.
- The verification team examined specific trial balance account codes corresponding to expenses forming part of the total SG&A expense for the investigation period. Where necessary, the verification team adjusted the inclusion or exclusion of certain account codes from the total SG&A expense.

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

5.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
11	During the verification, the verification team found that the company's extraction of the cost to make and sell sheet was not sufficiently granular to allow the verification team to view cost of production separated	The company revised the cost to make sheet with costs separated by product dimension. The verification team accepted that, once the revised cost to make and sell

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	by all dimensions relevant to the goods description.	spreadsheet was provided, the company provided the most granular cost to make information that was reasonably available.
12	The verification team found that certain product codes and MCCs were included in the cost to make spreadsheet extracted from the company's accounting system, which did not represent the goods.	Feng Hsin provided a revised cost to make spreadsheet that included amended figures and additional information to identify the product codes and MCCs that did not include the goods. This allowed the verification team to exclude the product codes and MCCs relating to non-goods.
13	The verification team found that certain interest accounts were not included in SG&A for the POI. The verification team found that these accounts relate to the goods.	The verification team included the interest accounts in SG&A for the POI, since they relate to the goods.
14	The verification team found that certain property exchange accounts were not included in SG&A for the POI. The verification team found that these accounts relate to the goods.	The verification team included the property exchange accounts in SG&A for the POI, since they relate to the goods.
15	The verification team found that certain foreign exchange accounts were not included in SG&A for the POI. The verification team found that these accounts relate to the goods, and that these accounts represent realised foreign exchange losses and gains.	The verification team included the realised foreign exchange accounts in SG&A for the POI, since they relate to the goods.

Table 16 – 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 submitted in the REQ by Feng Hsin, including any required amendments as outlined as an exception above, is complete and relevant.

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

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information submitted 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**.

The verification team notes that Feng Hsin has multiple production plants (representing production lines) within the same location, whereby one plant specialises in merchant bar production. The table below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	The verification team found that the company produces steel billet and then transfers this billet to each production line on an actual cost basis. The verification team found that as this happens, unit costs of the billet are tracked and applied to each finished product (based on product grade and length/width) on a monthly basis. The cost allocated to each product is further broken down into each MCC, and allocated by production quantity.
Scrap offset	The verification team found that the scrap offset is determined on an actual cost basis for each product type (e.g. angles, flats etc) on a monthly basis. This actual scrap offset is allocated to each MCC based on production volume.
Manufacturing Overheads	The verification team found that manufacturing overheads are determined monthly, on an actual cost basis for each plant, and allocated to each product group and MCC, based on production quantity.
Labour	The verification team found that labour is determined monthly, on an actual cost basis for each plant, and allocated to all products manufactured in that plant based on production quantity. The costs are subsequently allocated to each MCC based on production quantity as well.
Depreciation	The verification team found that depreciation is determined monthly, on an actual cost basis for each plant, and allocated to each product group and MCC based on production quantity.

Table 17 – Cost allocation method

6.2 Verification of Accuracy of CTMS data

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

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

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The verification team found no issues during this process.

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

6.3 Accuracy finding

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

7 EXPORT PRICE

7.1 The importers

The verification team considers Feng Hsin's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer, as they:

- are named on the commercial invoice as the customer
- are named as the consignee on the bill of lading
- are declared as the importer on the importation declaration to ABF
- pay for all the importation charges
- arrange delivery from the port.

In relation to the goods exported by Feng Hsin to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

7.2 The exporter

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

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

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

7.3 Arms length

7.3.1 Customer relationships

The verification team found that Feng Hsin only sold the goods to unrelated customers in the Australian market. In respect of Feng Hsin's Australian sales of the goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- 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 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.³

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.

³ Section 269TAA refers.

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

7.4 Export Price – assessment

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

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

8 DOMESTIC SALES

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

8.1 Arms length

8.1.1 Customer relationships

The verification team found that Feng Hsin sold the goods to unrelated customers only, in the domestic market. In respect of Feng Hsin’s domestic sales of the goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- 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 buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Feng Hsin to its domestic customers during the period were ‘arms length’ transactions.

8.2 Ordinary course of trade

Section 269TAA 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.⁴

The verification team tested profitability by comparing the net invoice price 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%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The verification team tested recoverability by comparing the net invoice price 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
Cost	Quarterly cost to make and sell, including direct selling expenses for each transaction.

⁴ In general, the commission will consider ‘extended period’ and ‘reasonable period’ to be the investigation, review or inquiry period.

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Weighted average cost	Weighted average cost to make and sell over the period, including direct selling expenses for each transaction.
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Table 18 – OCOT details

8.3 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 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 5% 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).

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 5% 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 5% 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-E-A---B	Yes	Used in normal value
P-E-A---A	Yes	Used in normal value
P-P-A----	No	Surrogate MCC P-T-A---- used in normal value
P-F-A-A--	Yes	Used in normal value
P-F-A-B--	Yes	Used in normal value
P-F-A-C--	Yes	Used in normal value
P-F-A-D--	Yes	Used in normal value
P-F-B-A--	Yes	Used in normal value
P-T-A----	Yes	Used in normal value
P-E-A---C	Yes	Used in normal value
P-U-A---A	Yes	Used in normal value
P-E-C---A	No	Surrogate MCC P-E-B---A used in normal value

Table 19 – Domestic volumes

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

9 ADJUSTMENTS

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

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Downwards adjustment to normal value	The verification team found that based on the information attained from the company, it is appropriate to apply a domestic credit adjustment using the average base lending rate in Taiwan for the POI.	No	Yes
Domestic packaging	No adjustment	The verification team notes that based on the information attained from the company, there is no difference in packaging between export and domestic sales.	No	No
Domestic inland transport	Downwards adjustment to normal value	Total value from accounting voucher allocated to domestic sales by invoice quantity.	Yes	Yes
Domestic warranty	No adjustment	The verification team found that based on the information attained from the company, it is appropriate not make a normal value adjustment for domestic warranty. Instead, the verification team finds it appropriate to deduct domestic warranty from gross invoice value.	Yes	No
Export credit	Upwards adjustment to normal value	The verification team found that based on the information attained from the company, it is appropriate to apply an export credit adjustment using the average base lending rate in Taiwan for the POI.	No	Yes
Export packaging	No adjustment	The verification team notes that based on the information attained from the company, there is no difference in packaging between export and domestic sales.	No	No
Export inland transport	Upwards adjustment to normal value	Total from invoice value allocated to export sales by invoice quantity	Yes	Yes
Export customs brokerage fee	Upwards adjustment to normal value	Total value from accounting voucher allocated to export sales by invoice quantity	Yes	Yes
Export documentation fee	Upwards adjustment to normal value	Total value from accounting voucher allocated to export sales by invoice quantity	Yes	Yes
Export harbour service fee	Upwards adjustment to normal value	Based on actual amount paid, allocated to export sales by invoice quantity.	Yes	Yes

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Export trade promotion fee	Upwards adjustment to normal value	Based on the invoice value allocated to export sales by invoice quantity.	Yes	Yes
Export courier fee	Upwards adjustment to normal value	Based on the invoice value allocated to export sales by invoice quantity.	Yes	Yes
Export commission	Upwards adjustment to normal value	Based on the actual commission rate, allocated to export sales by invoice quantity.	Yes	Yes
Export bank charge	Upwards adjustment to normal value	Based on bank charge on bank statement, allocated to export sales by invoice quantity.	Yes	Yes
Export transport reimbursement (claimed as “export warranty” by Feng Hsin)	No adjustment	The verification team found that based on the information attained from the company, the export transport reimbursement did not apply to export sales made within the POI.	Yes	No
Specification	Upwards and downwards adjustments	Where a surrogate MCC was used in normal value, the verification team made specification adjustments based on price premiums derived from price lists provided by the company.	No	Yes

Table 20 – Assessment of adjustments

9.2 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
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic inland transport	Deduct an amount for domestic inland transport
Export inland transport	Add an amount for export inland transport
Export customs brokerage fee	Add an amount for export customs brokerage fee
Export documentation fee	Add an amount for export documentation fee
Export harbour service fee	Add an amount for export harbour service fee
Export trade promotion fee	Add an amount for export trade promotion fee
Export courier fee	Add an amount for export courier fee
Export commission	Add an amount for export commission
Export bank charge	Add an amount for export bank charge
Export credit terms	Add an amount for export credit terms
Specification	Add or deduct an amount for specification adjustment

Table 21 – Summary of adjustments

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

10 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 comparison of domestic prices with export prices, as outlined in chapter 0 above.

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

11 DUMPING MARGIN

The verification team assessed the dumping margin by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by Feng Hsin for the period is **17.7%**.

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

12 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
Non-confidential attachment 1	Structure of MCC category additions applicable to Feng Hsin