



Australian Government
Department of Industry,
Science and Resources

Anti-Dumping Commission

Exporter verification report

Verification and case details

| | | | |
|--------------------------------------|-----------------------------|-------------|------------|
| Initiation date | 28/03/2022 | ADN: | 2022/029 |
| Case number | 601 | | |
| The goods under consideration | Steel Reinforcing Bar | | |
| Case type | Continuation Inquiry | | |
| Exporter | Millcon Steel Public Co Ltd | | |
| Location | Virtual verification | | |
| Verification date | 5/7/2022 | to | 15/7/2022 |
| Inquiry period | 1/1/2021 | to | 31/12/2021 |

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

Contents

| | |
|---|-----------|
| CONTENTS | 2 |
| PREFACE | 4 |
| 1 COMPANY BACKGROUND | 5 |
| 1.1 CORPORATE STRUCTURE..... | 5 |
| 1.2 RELATED PARTIES..... | 5 |
| 1.3 ACCOUNTING RECORDS..... | 5 |
| 1.4 CORRECTIONS TO MILLCON’S RESPONSE TO THE EXPORTER QUESTIONNAIRE..... | 6 |
| 2 GOODS UNDER CONSIDERATION AND LIKE GOODS | 7 |
| 2.1 PRODUCTION PROCESS..... | 7 |
| 2.2 MODEL CONTROL CODES..... | 7 |
| 2.3 VERIFICATION OF MODEL CONTROL CODES..... | 7 |
| 2.4 THE GOODS EXPORTED TO AUSTRALIA AND LIKE GOODS SOLD ON THE DOMESTIC MARKET..... | 8 |
| 2.5 LIST OF MODEL CONTROL CODES..... | 9 |
| 2.6 LIKE GOODS – ASSESSMENT..... | 9 |
| 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE | 10 |
| 3.1 BACKGROUND..... | 10 |
| 3.2 SALES COMPLETENESS AND RELEVANCE FINDING..... | 10 |
| 4 VERIFICATION OF SALES ACCURACY | 11 |
| 4.1 BACKGROUND..... | 11 |
| 4.2 EXCEPTIONS DURING VERIFICATION OF AUSTRALIAN SALES ACCURACY..... | 11 |
| 4.3 EXCEPTIONS DURING VERIFICATION OF DOMESTIC SALES ACCURACY..... | 12 |
| 4.4 SALES ACCURACY FINDING..... | 13 |
| 5 VERIFICATION OF COST TO MAKE AND SELL COMPLETENESS AND RELEVANCE | 14 |
| 5.1 BACKGROUND..... | 14 |
| 5.2 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF COST TO MAKE AND SELL DATA..... | 15 |
| 5.3 COMPLETENESS AND RELEVANCE FINDING OF COST TO MAKE AND SELL DATA..... | 16 |
| 6 VERIFICATION OF COST TO MAKE AND SELL ACCURACY | 17 |
| 6.1 COST ALLOCATION METHOD..... | 17 |
| 6.2 VERIFICATION OF ACCURACY OF CTMS DATA..... | 18 |
| 6.3 EXCEPTIONS DURING VERIFICATION OF ACCURACY OF CTMS DATA..... | 18 |
| 6.4 RELATED PARTY SUPPLIERS..... | 18 |
| 6.5 ACCURACY FINDING..... | 18 |
| 7 EXPORT PRICE | 19 |
| 7.1 THE IMPORTERS..... | 19 |
| 7.2 THE EXPORTER..... | 19 |
| 7.3 ARMS LENGTH ASSESSMENT..... | 20 |
| 7.4 EXPORT PRICE – ASSESSMENT..... | 20 |
| 8 DOMESTIC SALES | 22 |
| 8.1 ARMS LENGTH..... | 22 |
| 8.2 ORDINARY COURSE OF TRADE..... | 23 |
| 8.3 VOLUME OF RELEVANT SALES..... | 23 |
| 9 ADJUSTMENTS | 25 |
| 9.1 RATIONALE AND METHOD..... | 25 |
| 9.2 ADJUSTMENTS..... | 26 |

PUBLIC RECORD

| | | |
|-----------|--|-----------|
| 10 | NORMAL VALUE | 27 |
| 11 | DUMPING MARGIN | 28 |
| 12 | APPENDICES AND ATTACHMENTS..... | 29 |

Preface

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by Millcon Steel Public Co Ltd for Continuation Inquiry 601. This report details the evidence gathered and the verification team's key findings.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 601.

This report 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 sections 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

Millcon Steel Public Company Limited (Millcon) is a listed company on the Stock Exchange of Thailand.

Millcon is a manufacturer and a distributor of steel bar, deformed steel, and structural steel. Millcon sells these goods to Australia, other countries, and its domestic market. Millcon manufactures steel bar in the form of deformed bar, which fits within the steel reinforcing bar (rebar) goods description, and round bar, which is outside the goods description.²

Millcon also sold billet and wire rod during the inquiry period, which it purchased from suppliers.

1.2 Related parties

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

1.2.1 Related suppliers

The verification team considers Millcon Burapa Co Ltd (Millcon Burapa) and Millcon Steel Pipe Co Ltd (Millcon Steel Pipe) to be related raw material suppliers.

1.2.2 Related customers

The verification team found that Millcon sold like goods to the following related customers in the domestic market:

- General Engineering Company Public Co Ltd
- RSP Steel Co Ltd
- Jarasrunroj Co Ltd
- Begistics Co Ltd

The verification team found that Millcon did not have any related Australian customers, in terms of sales of the goods.

1.3 Accounting records

Pannell Kerr Forster (PKF) audited Millcon's financial statement and included a statement that the financial accounts comply with Thai Financial Reporting Standards.

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

² Anti-Dumping Notice (ADN) 2022/029 refers.

PUBLIC RECORD

1.4 Corrections to Millcon’s response to the exporter questionnaire

Millcon provided a confidential and public version of its response to the exporter questionnaire (REQ). Millcon explained that some of the information in both versions is inaccurate.

The verification team notes the following inaccurate information and corrections to the public REQ, which apply also to the confidential REQ:

| Inaccurate information | Correction |
|---|--|
| On page 11 of the public REQ, Millcon listed its related companies and functions. | <p>With reference Millcon’s 2021 audited financial report, the verification team found that Millcon did not list the following related companies in its confidential and public REQ:</p> <ul style="list-style-type: none"> • Builk One Group Co Ltd • General Engineering Public Co Ltd • I-Gen Powertech • Insight Steel Co Ltd • Jarasrunroj Co Ltd • Millcon Steel Bar Co Ltd • Millcon Thiha GEL Ltd • Moonshot Venture Capital Co Ltd • Quest Capital Investment Ltd • RSP Steel Co Ltd • Siam Solar Generation Public Co Ltd • Thai Special Steel Industry (Public) Co Ltd • The Megawatt Co Ltd • Wisdom Tree Investment Pte Ltd • World Wire Processing Co Ltd |
| <p>On page 11 of the public REQ, Millcon stated that the following companies are related to it:</p> <ul style="list-style-type: none"> • Longkong Studio Co Ltd • Complete Transport Co Ltd | <p>Millcon confirmed during verification that it no longer has a relationship with these two companies.</p> |
| On page 13 of the public REQ, Millcon stated that its financial accounting, sales and production system is ‘Lawson’. | The verification team confirms that during the inquiry period, Millcon utilised the Systems, Applications & Products in Data Processing (SAP) accounting software for all three reporting systems. |
| On page 22 of the public REQ, Millcon stated that it has no related domestic customers of the goods. | <p>The verification team confirms that Millcon sold the goods to four related domestic customers during the inquiry period. These related parties are:</p> <ul style="list-style-type: none"> • General Engineering Public Co Ltd • Jarasrunroj Co Ltd • RSP Steel Co Ltd • Begistics Co Ltd |

Table 1 – Inaccurate information from the REQ and subsequent corrections

2 Goods under consideration and like goods

2.1 Production process

To produce the goods, Millcon:

- purchases steel billet to use in the production of the goods
- marks the billets by heat number prior to entering the reheating furnace. Millcon staff then conduct checking and testing regarding billet size, length, straightness and chemical composition on a sample of billets entering rebar production.
- heats the billets to the correct temperature in the reheat furnace
- passes the billets through a roughing mill, followed by a series of intermediate rollers, which gradually give the steel a circular shape and reduces the width of the billet until Millcon staff achieve the desired diameter. At the finishing stage of the rolling, Millcon staff deform the billet using deforming rollers
- passes the rebar through a thermo-mechanically controlled treatment process where Millcon staff quench (rapidly cool with jets of water) the rebar and ensure the rebar is self-tempered (allowed to cool naturally on cooling beds). This process creates a high strength final product
- cuts the rebar to length, bind, and pack the rebar as bundles. Millcon staff then tie the bundles with wire
- moves the bundles to the warehouse until the staff arrange delivery.

2.2 Model control codes

Millcon provided sales and cost data in its response to the REQ in accordance with the model control code (MCC) structure detailed in ADN 2022/029.

Millcon did not propose changes to the MCC, including any sub-category groupings. Millcon provided all the mandatory and optional sales data in relation to MCCs.

2.2.1 Amendments to model control codes

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.

2.3 Verification of model control codes

Table 2 provides detail on how the verification team determined the MCC sub-categories and its verification to source documents.

| Category | Determination of the sub-category |
|------------------------------|---|
| Prime | The verification team used commercial invoices and relevant price analysis to be satisfied that all the goods that Millcon sold in the Australian and domestic market were prime. |
| Minimum yield strength (MPa) | The verification team verified minimum yield strength to commercial invoices and mill certificates. |

PUBLIC RECORD

| Category | Determination of the sub-category |
|----------------------------------|---|
| Prime | The verification team used commercial invoices and relevant price analysis to be satisfied that all the goods that Millcon sold in the Australian and domestic market were prime. |
| Finished form | The verification team verified finished form to commercial invoices and product brochures. |
| Nominal diameter (millimetres) | The verification team verified nominal diameter to product measurements on commercial invoices. |
| Length (meters) | The verification team verified length to product measurements on commercial invoices. |
| Deformation pattern along Length | The verification team verified the deformation pattern to product descriptions on commercial invoices and purchase orders. |

Table 2 – MCC sub-category determination

Table 3 displays the relationship between product standard and minimum yield strength (MPa).

| Standard | Minimum yield strength (MPa) |
|-------------|------------------------------|
| GB | 390 |
| SD40 | 390 |
| SD40T | 390 |
| SD50 | 490 |
| SD50T | 490 |
| AS/NZS 500N | 500 |
| ASTM | 930 |

Table 3 – MCC mapping

2.4 The goods exported to Australia and like goods sold on the domestic market

2.4.1 The goods exported to Australia

The verification team was satisfied that Millcon produced and exported the goods to Australia.

2.4.2 Like goods sold on the domestic market

The verification team was satisfied that Millcon 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:** Millcon did not distinguish between the export and domestic goods during production. Effectively, Millcon produced the export goods and goods it sold on the domestic market in the same way, subject to individual customer specifications. Additionally, the costs of production for models Millcon sold domestically and for export were the same.
- **Production likeness:** Millcon produced the goods at the same facilities, using the same raw material inputs and manufacturing processes.

PUBLIC RECORD

- **Commercial likeness:** The goods competed in the same market sector, were interchangeable and used similar distribution channels.
- **Functional likeness:** The goods were functionally alike, as they had similar end uses.

2.5 List of model control codes

Millcon sold the following MCCs during the period:

| MCC | Australian Sales | Domestic Sales |
|-------------|------------------|----------------|
| P-B-S-A-2-N | No | Yes |
| P-B-S-B-2-N | No | Yes |
| P-B-S-C-2-N | No | Yes |
| P-C-S-A-2-N | No | Yes |
| P-C-S-B-1-N | Yes | No |
| P-C-S-B-2-N | Yes | Yes |
| P-C-S-C-2-N | Yes | Yes |
| P-C-S-C-2-T | Yes | No |
| P-C-S-D-2-N | No | Yes |
| P-D-S-C-2-T | No | Yes |
| P-D-S-D-1-T | No | Yes |
| P-D-S-D-2-T | No | Yes |

Table 4 – List of MCCs relating to sales markets

2.6 Like goods – assessment

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

3 Verification of sales completeness and relevance

3.1 Background

The verification team conducts verification of relevance and completeness by reconciling selected data submitted 'upwards' through management accounts to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, whilst giving particular attention to including all relevant transactions and excluding all irrelevant transactions. The verification team reconciles the total value from the management reports to the total revenue figure 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 2016/30.

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

1. The verification team reconciled the audited financial report for the period 1 January 2021 to 31 December 2021 to sales of all products in the accounting system.
2. The verification team used Excel all product sales extracts from the accounting system to filter for the goods.
3. The verification team used Excel all product sales extracts from the accounting system to filter for domestic, Australian and third country sales.
4. The verification team reconciled the accounting system extracts to the net invoice value and volume totals of the domestic, Australian and third country sales listing for the inquiry period.

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

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data submitted by Millcon, is complete and relevant.

4 Verification of sales accuracy

4.1 Background

The verification team verifies the accuracy of data 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.

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 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**.

4.2 Exceptions during verification of Australian sales accuracy

Exception 1: Changes to various free on board (FOB) export price values

Description: Millcon made all Australian sales of the goods at FOB terms. However, the verification team noticed that for some sales lines, the net invoice value did not match the FOB export price. Millcon explained that the discrepancy was a manual error, and the net invoice value was correct for all sales.

Resolution: Millcon revised the Australian sales listing with the FOB export price equalling the net invoice value for all sales.

Exception 2: Changes to export inland transport and other export selling expenses

Description: Millcon calculated a unit inland transport cost and a unit cost for all other export direct selling expenses. The verification team used source documents to verify these costs and found no issues. However, Millcon incorrectly reported these unit costs as costs per metric ton, rather than per container, in the Australian sales listing.

Resolution: The verification team amended the Australian sales listing to ensure that all export direct selling expenses were correct, with the appropriate unit cost reported.

Exception 3: Inclusion of an Australian direct selling expense from SG&A

Description: Millcon stated that an expense listed as an indirect selling expense in SG&A related to Australian sales only. The verification team is satisfied that it is a direct Australian selling expense as it relates only to Australian sales of the goods.

Resolution: Since Millcon did not list the direct selling expense in the Australian sales listing, the verification team listed the expense in the Australian sales listing with a column for the expense. The verification team apportioned the expense to the sales lines as a proportion of net invoice value.

PUBLIC RECORD

Exception 4: Determination of Australian payment days

Description: Millcon provided descriptions of the payment terms for each Australian sale. Millcon however did not state the payment days for some of the sales.

Resolution: The verification team explained to Millcon that it would use the information from the payment terms to determine the appropriate payment days for Australian sales. The verification team changed the Australian sales listing accordingly.

Exception 5: Inclusion of certain trader sales in the Australian sales listing

Description: Millcon initially reported 500N grade rebar sales to a Thai trader of the goods as domestic sales. Based on the information available to the verification team, the team found that these sales should be part of the Australian sales listing.

Resolution: Millcon removed the relevant trader sales from the domestic sales listing and added them to the Australian sales listing. Since the sales to the trader were at ex-works (EXW) terms, the verification team calculated an FOB price for the relevant sales by adding the appropriate inland transport and exportation charges, which the verification team determined for Millcon's direct sales to Australian customers.

4.3 Exceptions during verification of domestic sales accuracy

Exception 6: Domestic unit inland transport revision

Description: Millcon provided unit inland transport costs for domestic sales on a monthly basis. Millcon used these values to calculate the inland transport cost for all domestic sales of like goods.

Resolution: The verification team was not satisfied with Millcon's demonstration of the source of the monthly unit inland transport costs. The verification team therefore used Millcon's verified 2021 trial balance and verified quantity data to calculate a unit inland transport cost. The verification team applied this unit cost to all domestic sales of like goods.

Exception 7: Missing MCC classifications

Description: Millcon's domestic sales listing did not have MCC classifications for some sales of like goods.

Resolution: Millcon provided a revised domestic sales listing to ensure that it classified an MCC to all sales of like goods.

Exception 8: Incorrect MCC classifications

Description: Millcon's domestic sales listing had some sales listed as 'A' for MCC category 5 (i.e. MCC length).

Resolution: Millcon provided a revised domestic sales listing to ensure these sales had the correct MCC identifier for MCC length.

PUBLIC RECORD

Exception 9: Exclusion of round bar sales

Description: Millcon's domestic sales listing included round bar sales as like goods. The verification team notes that round bar is not part of the goods description and is not a like good.

Resolution: Millcon provided a revised domestic sales listing to ensure that it classified all round bar sales as non-subject goods.

Exception 10: Determination of domestic payment days

Description: Millcon provided descriptions of the payment terms for each domestic sale in its sales listing. Millcon however did not state the payment days for some of the sales.

Resolution: The verification team explained to Millcon that it would use the information from the payment terms to determine the appropriate payment days for domestic sales. The verification team changed the domestic sales listing accordingly.

Exception 11: Removal of trader sales from domestic sales listing

Description: Millcon initially reported 500N grade rebar sales to a trader as domestic sales. Based on the information available to the verification team, the team found that these sales were not domestic sales.

Resolution: The verification team therefore removed these sales from the domestic sales listing.

4.4 Sales accuracy finding

The verification team is satisfied that the sales data submitted by Millcon, including any required amendments as outlined in the exception description 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 completeness and relevance

5.1 Background

The verification team conducts verification of relevance and completeness by reconciling selected data submitted 'upwards' through management accounts to audited financial accounts. The verification team reconciles total cost to make (CTM) data to the cost of production in the management reports with particular attention given to including all relevant costs and excluding all irrelevant costs. The verification team then reconciles cost of production data, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, the verification team reconciles selling, general and administrative (SG&A) expenses to income statements, with particular attention given to specific expenses that the company excluded or that the verification team should exclude.

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 2016/30.

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

- Reconciled the audited 2021 financial statement to the total cost of goods sold (COGS). The verification team notes the inquiry period and Millcon's 2021 financial period are the same
- Reconciled the COGS to the total cost to make (CTM). The verification team notes the difference between COGS and CTM consisted of 2 main components, both of which the verification team reconciled to Millcon's accounting system:
 - Change in finished goods inventory
 - A variance adjustment made to comply with Thai auditing standards when preparing the financial statement
- Reconciled the total CTM to Millcon's trial balance and a production report from Millcon's accounting system. The verification team notes the production report calculated CTM as standard costs, while Millcon's total actual CTM figure comes from its quarterly trial balance. Millcon applied a quarterly variance adjustment as a proportion of quantity to reconcile the total standard CTM and total actual CTM
- Reconciled Millcon's production report to the domestic and Australian CTM listings. Millcon apportioned CTM expenses in some MCCs between Australian and third country CTM based on the proportional volume of quarterly sales of that MCC to Australia and third countries.

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

- Reconciled the trial balance to the financial statement
- Reconciled the trial balance to the account totals in Millcon's SG&A listing
- Verified the allocation of accounts in Millcon's SG&A listing as the full list of relevant SG&A expenses
- Verified the allocation of direct selling expenses in Millcon's SG&A listing and sales listings.

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**.

5.2 Exceptions during verification of completeness and relevance of cost to make and sell data

Exception 12: Allocation of the goods to domestic CTM listing

Description: Millcon included production quantities and CTM costs for round bar, being a product outside the scope of the current inquiry, in the domestic CTM listing.

Resolution: Millcon provided a revised domestic CTM listing excluding round bar from like goods in the CTM data.

Exception 13: Allocation of total CTM in domestic and Australian CTM listings

Description: Millcon calculated the total CTM for each internal product code using quarterly standard costs from its accounting system. To correct for the difference between standard costs and actual costs, Millcon applied a quarterly variance for each internal product code, weighted by production volume. Millcon used the total CTM for each internal product code to calculate CTM for each MCC in its CTM listings.

Millcon's accounting system recorded mill scale scrap production quantity but allocated costs indirectly through other product codes. Millcon incorrectly included mill scale production quantity when applying the variance between standard and actual costs.

Millcon also identified that the hard-coded values in its initial Australian CTM listing did not accurately reflect the allocation method described above.

Resolution: Millcon revised its production report to exclude mill scale from the variance calculation. Millcon also revised its CTM listings to reflect the amended production report figures.

Exception 14: Allocation of goods to Australian CTM listing

Description: Millcon allocated quarterly production quantity and CTM by internal product codes using data from its accounting system.

Some of the goods Millcon sold into the Australian and third country markets shared the same product codes. For these product codes, Millcon allocated production quantity between Australian and third country costs based on Millcon's quarterly sales quantity by MCC.

The verification team noted that Millcon's sales data had sufficient detail to allocate production quantity by internal production code, which more accurately reflects which production data related to Australian or third country sales.

Millcon also identified that the hard-coded values in its initial Australian CTM listing did not accurately reflect the allocation method described above.

Resolution: The verification team revised the allocation method to match sales data to production data by product code. The revised allocation method reflected the most detailed sales and production data available. The verification team also amended the Australian CTM listing to reflect the revised allocation method.

PUBLIC RECORD

Exception 15: SG&A allocation method

Description: Millcon calculated one unit SG&A figure and allocated it to all domestic MCCs.

Resolution: The verification team calculated unit SG&A figures for each domestic MCC using data from Millcon's updated domestic sales listing.

Exception 16: SG&A selling expense categorisation

Description: Millcon's SG&A misclassified indirect selling expenses for some accounts as direct selling expenses.

Resolution: Millcon provided a revised SG&A listing with revised direct and indirect selling expense classifications. The verification team further revised Millcon's SG&A listing after Millcon reclassified two more direct selling expense accounts as indirect selling expense accounts.

5.3 Completeness and relevance finding of cost to make and sell data

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

6 Verification of cost to make and sell accuracy

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information submitted in the REQ to the relevant MCCs, in accordance with ADN 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 5 outlines the allocation method applied to each cost item.

| Cost item | Method applied |
|--|--|
| Variance between standard and actual total CTM | Millcon’s accounting system recorded the standard CTM by internal product code. Millcon’s accounting system recorded quarterly actual CTM for all products but did not record actual costs to each internal product code. Millcon reported its actual CTM for each product code by applying a quarterly variance using the percentage difference between quarterly standard and actual CTM for all products. Millcon then grouped the actual CTM data into MCC categories. |
| Raw materials | Millcon allocated raw material by calculating the quarterly raw material costs for all products, as a percentage of the quarterly total CTM for all products. Millcon relied on the quarterly trial balance account totals to calculate this percentage. Millcon multiplied the quarterly raw material percentage by the total actual CTM for each MCC in the relevant quarter. |
| Scrap allocation and ‘other’ costs | Millcon allocated scrap indirectly as part of ‘other costs’ in the CTM listing. Millcon allocated other costs by calculating the quarterly “other” costs for all products, as a proportion of the quarterly total CTM for all products. Millcon relied on quarterly trial balance totals to calculate this percentage. Millcon multiplied the quarterly other costs percentage by the total actual CTM for each MCC in the relevant quarter. |
| Labour | Millcon allocated labour by calculating the quarterly labour costs for all products, as a percentage of the quarterly total CTM for all products. Millcon relied on quarterly trial balance account totals to calculate this percentage. Millcon multiplied the quarterly labour costs percentage by the total actual CTM for each MCC in the relevant quarter. |
| Manufacturing overheads | Millcon allocated manufacturing overhead costs by calculating the quarterly manufacturing overheads costs for all products, as a percentage of the quarterly total CTM for all products. Millcon relied on quarterly trial balance account totals to calculate this percentage. Millcon multiplied the quarterly manufacturing overhead costs percentage by the total actual CTM for each MCC in the relevant quarter. |
| Depreciation | Millcon allocated depreciation costs by calculating the quarterly manufacturing overheads costs for all products, as a percentage of the quarterly total CTM for all products. Millcon relied on quarterly trial balance account totals to calculate this percentage. Millcon multiplied the quarterly depreciation costs percentage by the total actual CTM for each MCC in the relevant quarter. |

Table 5 – 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 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**.

6.3 Exceptions during verification of accuracy of CTMS data

Exception 17: MCC classification of goods

Description: Due to a mistype in a working document, Millcon allocated production quantity and total CTM for some goods into the incorrect MCC category. The misallocation affected the Australian CTM listing.

Resolution: The verification team revised the working document with the correct MCC category. The verification team also revised the Australian CTM listing to reflect the revised working document.

6.4 Related party suppliers

Millcon purchased steel billet raw material from related parties, Millcon Burapa and Millcon Steel Pipe, during the inquiry period.

Millcon stated that its suppliers set the purchase price for steel billet based on the steel billet CTM plus a profit margin to align with comparable Thai market pricing for steel billet.

The verification team analysed the raw material purchase prices between related and unrelated customers. The verification team does not consider that raw material purchase prices between related and unrelated parties differ.

The verification team also verified the source documents relating to selected sample raw material purchases from both related and unrelated parties. The verification team did not identify material discrepancies between Millcon's raw material purchase listing and the source documents for the selected sample purchases.

The verification team does not consider the relationship with its related parties to influence Millcon's purchases of materials.

6.5 Accuracy finding

The verification team is satisfied that the CTMS data submitted in the REQ by Millcon, including any required amendments as outlined as an exception, 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

Millcon sold to Australian customers either directly to the customer or indirectly via a trader. For indirect sales, the commission requested and reviewed information from the relevant trader.

For all direct sales that Millcon made to an Australian customer, the verification team considers the listed customer entity is the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed. The verification team is satisfied of this because the listed entity:

- is named as the purchaser on the commercial invoice
- is named as the consignee on the bill of lading
- is the importer in the ABF database.

For all indirect sales that Millcon made to an Australian customer via a trader, the verification team considers the trader's listed customer entity is the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed. The verification team is satisfied of this because the listed entity:



7.2 The exporter

As noted in chapter 7.1, Millcon sold to Australian customers either directly to the customer or indirectly via a trader. For indirect sales, the commission requested and reviewed information from the relevant trader.

For all direct sales that Millcon made to an Australian customer, the verification team considers Millcon to be the exporter of the goods,³ as Millcon:

- is named as the seller on the commercial invoice
- is named as the shipper on the bill of lading
- is the manufacturer of the goods located in the country of export
- arranges transportation of the goods from the port of export to Australia.

For all indirect sales that Millcon made to an Australian customer via a trader, the verification team considers Millcon to be the exporter of the goods, as Millcon:

- is located in the country of export
- manufactured the goods in all relevant sales under the AS/NZS standard, which the domestic market does not require

³ The commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

PUBLIC RECORD

- manufactured the goods in all relevant sales with an Australian Certification Authority for Reinforcing Steel (ACRS) accreditation
- considered the relevant goods it sold to the trader as destined for export, namely to Australia or New Zealand

- [REDACTED]

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

7.3 Arms length assessment

For all direct sales that Millcon made to an Australian customer, Millcon sold the goods only to unrelated customers during the inquiry period.

For all indirect sales that Millcon made to an Australian customer via a trader, Millcon sold the goods only to an unrelated trader during the inquiry period.

In respect of Millcon's direct and indirect Australian sales of the goods during the inquiry 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.⁴

The verification team also analysed Millcon's Australian sales listing prices to compare sales prices between customers, on a monthly basis and by MCC. The verification team found that prices were similar for all customers.

The verification team therefore considers that all Australian sales made by Millcon during the inquiry period were arms length transactions.

7.4 Export price – assessment

For sales which Millcon made directly to the Australian customer, the verification team recommends that the export price be determined under section 269TAB(1)(a), as the price paid (or payable) for the goods by the importer, other than any part of that price that represents a charge in respect of any other matter arising after exportation.

For sales which Millcon made to the Australian customer via a trader, the verification team notes that the importer did not purchase the goods from the exporter. Accordingly, the verification team cannot determine export price under sections 269TAB(1)(a) or 269TAB(1)(b).

⁴ Section 269TAA refers.

PUBLIC RECORD

The verification team therefore recommends that the export price be determined under section 269TAB(1)(c), having regard to all circumstances of the exportation. Specifically, the verification team recommends that the export price be the price the trader paid to Millcon.

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 Related party customers

In respect of Millcon's domestic sales of like goods to its related customers during the inquiry 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.⁵

The verification team also analysed Millcon's domestic sales listing to compare sales to related and unrelated customers, on a monthly basis and by MCC. The verification team found that prices were similar between related and unrelated customers.

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

8.1.2 Unrelated customers

In respect of Millcon's domestic sales of like goods to its unrelated customers during the inquiry 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 also analysed Millcon's domestic sales listing to compare sales between unrelated customers, on a monthly basis and by MCC. The verification team found that prices were similar for all unrelated customers.

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

⁵ Section 269TAA of the Act refers.

8.2 Ordinary course of trade

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

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.⁶

The verification team tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction.

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

The 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 CTMS, including direct selling expenses for each transaction. |
| Weighted average cost | Weighted average CTMS over the period, including direct selling expenses for each transaction. |

Table 6 – 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 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 MCC is less than 5% of the volume exported, the commission will consider whether it can make a proper

⁶ In general, the commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

PUBLIC RECORD

comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic MCC to calculate normal value for the exported MCC.

The table below details this analysis.

| 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-S-B-1-N | N | No domestic sales of P-C-S-B-1-N. Surrogate model P-C-S-B-2-N with specification adjustment under section 269TAC(8). |
| P-C-S-B-2-N | Y | The verification team considers volume of domestic sales of same MCC allows for a proper comparison to exported goods. |
| P-C-S-C-2-N | Y | The verification team considers volume of domestic sales of same MCC allows for a proper comparison to exported goods. |
| P-C-S-C-2-T | N | No domestic sales of P-C-S-C-2-T. Surrogate model P-C-S-C-2-N with specification adjustment under section 269TAC(8). |

Table 7 – 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 FOB terms, the verification team has considered the following adjustments.

9.1 Rationale and method

| Adjustment type | Assessment for adjustment | Calculation method and evidence | Claimed in REQ? | Adjustment required? |
|--|---|--|------------------------|-----------------------------|
| Domestic credit terms | Payment terms differ for export and domestic sales. | The verification team used payment terms on commercial invoices to verify credit payment days relating to sales. The verification team used promissory notes and trust receipts to determine the interest rate appropriate for the credit adjustment. | Yes | Yes |
| Domestic inland transport | Domestic inland transport costs are different to export inland transport costs. | The verification team calculated domestic inland transport with reference to Millcon's trial balance and accounting system. | Yes | Yes |
| Export inland transport | Export inland transport costs are different to domestic inland transport costs. | The verification team calculated export inland transport with reference to relevant invoices. | Yes | Yes |
| Export port handling and other charges | Export sales incur port handling and other port related charges, whereas domestic sales do not. | The verification team calculated export port handling and other charges with reference to relevant invoices. | Yes | Yes |
| Export credit terms | Payment terms differ for export and domestic sales. | The verification team used payment terms on commercial invoices to verify credit payment days relating to sales. The verification team used promissory notes and trust receipts to determine the interest rate appropriate for the credit adjustment. | Yes | Yes |

PUBLIC RECORD

| Adjustment type | Assessment for adjustment | Calculation method and evidence | Claimed in REQ? | Adjustment required? |
|-----------------|---|---|-----------------|----------------------|
| Specification | The verification team used surrogate export MCCs with a specification adjustment, to calculate the normal value for MCCs not sold domestically. | The verification team based the specification adjustments for the surrogate MCCs on the difference in the CTMS, and an OCOT profit, between the export MCCs and their surrogates. | No | Yes |

Table 8 – Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments are necessary to ensure that it can properly compare the normal value so ascertained 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 port handling and other charges | Add an amount for export port handling and other charges |
| Export credit terms | Add an amount for export credit terms |
| Specification | Add or deduct an amount for the specification adjustment |

Table 9 – 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 9.

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 inquiry period.

The dumping margin for the goods exported to Australia by Millcon for the period is **-7.7%**.

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 |