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Australian Government
Department of Industry and Science

Anti-Dumping Commission

**INVESTIGATION INTO THE ALLEGED DUMPING OF STEEL
REINFORCING BAR EXPORTED FROM**

**THE REPUBLIC OF KOREA, MALAYSIA, SINGAPORE,
SPAIN, TAIWAN, THE KINGDOM OF THAILAND AND THE
REPUBLIC OF TURKEY**

EXPORTER VISIT REPORT

**COMPAÑÍA ESPAÑOLA DE LAMINACIÓN, S.L. &
NERVACERO S.A.**

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

August 2015

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ABBREVIATIONS

The Act	<i>Customs Act 1901</i>
ACBPS	Australian Customs and Border Protections Service
ADN	Anti-Dumping Notice
OneSteel	OneSteel Manufacturing Pty Ltd
COGS	Cost of goods sold
The Commission	Anti-Dumping Commission
The Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
GAAP	Generally accepted accounting principles
The goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
PAD	Preliminary Affirmative Determination
The Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry & Science
Celsa Barcelona	Compañía Española De Laminación, S.L.
Celsa Nervacero	Nervacero S.A.
Nominated Countries	Collective referral to Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey
Korea	The Republic Of Korea
Thailand	The Kingdom Of Thailand
Turkey	The Republic Of Turkey
REQ	Export Questionnaire Response
GSW	Global Steel Wire
EAF	Electric Arc Furnace
GAAP	Generally accepted accounting principles
GFC	Global financial crisis
Rebar	Steel Reinforcing Bar
SEF	Statement of Essential Facts

1 BACKGROUND

1.1 Background to the current investigation

On 8 August 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application requesting that the then Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice in respect of steel reinforcing bar (rebar) exported to Australia from the Republic of Korea (Korea), Malaysia, Singapore, Spain, Taiwan, the Kingdom of Thailand (Thailand) and the Republic of Turkey (Turkey). A full description of the goods under consideration is included in section 4 of this report.

Subsequent to receiving further information on two occasions from OneSteel, the Commissioner of the Anti-Dumping Commission decided not to reject the application and initiated an investigation into the alleged dumping of rebar from the nominated countries. Public notification of initiation of the investigation was made in *The Australian* newspaper on 17 October 2014. Anti-Dumping Notice (ADN) No. 2014/100 provides further details of the investigation and is available on the Commission's website at www.adcommission.gov.au.

OneSteel alleged that the Australian industry has suffered material injury caused by rebar being exported to Australia from the nominated countries at dumped prices. It alleges that the Australian industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price suppression; and
- reduced profits and profitability.

The application identified Compañía Española De Laminación, S.L. (Celsa Barcelona) and Nervacero S.A. (Celsa Nervacero) as exporters of rebar from Spain. A search of Customs and Border Protection's (ACBPS) import database indicated that Celsa Barcelona and Celsa Nervacero exported rebar from Spain to Australia during the investigation period. The Commission wrote to Celsa Barcelona and Celsa Nervacero advising them of the initiation of the investigation, requesting their co-operation with the investigation and providing copies of the exporter questionnaire for them to complete. Celsa Barcelona and Celsa Nervacero separately completed exporter questionnaires. Their exporter questionnaire responses (REQs) were supported by confidential appendices and attachments, including confidential spreadsheets containing the sales and cost data requested in the exporter questionnaires. Copies of these REQs are contained in **Confidential Attachment REQ 1**.

1.2 Purpose of visit

The purpose of the visit was to verify information submitted by Celsa Barcelona and Celsa Nervacero in their respective REQs. Non-confidential versions of the REQs were placed on the public record. We used verified information gathered at the visit to make preliminary assessments of:

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- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

1.3 Meeting dates and attendees

Prior to the visit, an agenda was provided to Celsa Barcelona & Celsa Nervacero. A copy of the visit agenda is at **Confidential Attachment GEN 1**.

Verification meetings were held at the offices of Celsa Barcelona in Barcelona, Spain.

The following people were present at various stages of the meeting:

Celsa Barcelona & Celsa Nervacero	
[CONFIDENTIAL TEXT DELETED – various company officials representing Celsa Barcelona and Celsa Nervacero]	
Moulis Legal	
Mr Daniel Moulis	Principal
Mr Charles Zhan	Senior Lawyer
Anti-Dumping Commission	
Ms Rebecca Oliver	Assistant Director, Operations 4
Mr Tim King	Assistant Director, Operations 3

1.4 Meeting and preliminary issues

We advised Celsa Barcelona & Celsa Nervacero of the following.

- The investigation period was 1 July 2013 to 30 June 2014 and that the Commission would examine the Australian market from July 2010 for the purpose of analysing the condition of the Australian industry.
- The Commission published a preliminary affirmative determination (PAD) on 13 March 2015. Securities apply in respect of imports of rebar from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey and entered for home consumption on or after 13 March 2015.
- On 4 February 2015, ADN No. 2015/13 advised that the Parliamentary Secretary granted an extension to the publication date for the statement of

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essential facts (SEF). The revised due date for the SEF was 1 July 2015, unless the Parliamentary Secretary granted a further extension under s. 269ZHI^{1,2}.

- That based on further information provided by Celsa Barcelona & Celsa Nervacero, the Commission was in the process of altering the preliminary dumping margins applicable to the companies³.
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary. The SEF will invite interested parties to respond, within 20 days, to the issues raised.
- Submissions received in response to the SEF will be considered when compiling the report and recommendations to the Parliamentary Secretary.
- The Commission's report to the Parliamentary Secretary is now due no later than 17 August 2015.²
- The Parliamentary Secretary's decision is due within 30 days from the date of receipt of the final report.

We advised Celsa Barcelona and Celsa Nervacero that following our visit we would prepare *For Official Use Only* and *Public Record* versions of our visit report. We would provide the company with a draft of our report to review its factual accuracy and to identify those parts of the report it considered confidential. We further advised that, following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

At the commencement of the meeting Celsa Barcelona & Celsa Nervacero made a submission on the following issues:

- Model matching;
- Separate treatment of Celsa Barcelona & Celsa Nervacero; and
- Revised CTMS spreadsheets.

A copy of the submission is at **Confidential Attachment GEN 2**.

Celsa Barcelona and Celsa Nervacero identified a number of corrections they wished to be made to their respective REQ's. Modified REQ's containing these amendments were provided during the course of the verification. The modified REQs are contained in **Confidential Attachment REQ 2**.

¹ A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

² Subsequent to the visit the Parliamentary Secretary to the Minister for Industry & Science granted an extension for publishing the SEF until 2 September 2015 and the final report until 19 October 2015. See ADN 2015/81 <http://www.adcommission.gov.au/cases/EPR%20251%20%20300/048-ADN-2015-81-Publication%20of%20Extension-Case%20264.pdf>

³ On the 6 May 2015, the Commission issued an ADN revising the level of securities. See ADN 2015/50 on EPR.

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Further submissions and information were provided during the course of the verification. These are discussed, where applicable, in this report.

2 COMPANY INFORMATION

2.1 Company background

Celsa Barcelona and Celsa Nervacero are both separate legal entities **[CONFIDENTIAL TEXT DELETED – non-public company corporate structure]** and form part of the Celsa group of companies. The Celsa group is privately owned.

In addition to Celsa Barcelona and Celsa Nervacero, the Celsa group owns companies operating other steel plants in Spain, Poland, the United Kingdom, France and Norway. Each facility operates as a separate legal entity.

The Celsa Group has an annual steel production capacity of approximately **[CONFIDENTIAL TEXT DELETED – number]** tonnes across its steel making facilities in Europe and employs approximately **[CONFIDENTIAL TEXT DELETED – number]** employees. Within Spain, the Celsa Group has a maximum crude steel production capacity of about **[CONFIDENTIAL TEXT DELETED – number]** tonnes across its **[CONFIDENTIAL TEXT DELETED – number]** Spanish production facilities. These facilities are:

- Celsa Barcelona

Celsa Barcelona operates two electric arc furnaces producing billet and slab beam blanks. The **[CONFIDENTIAL TEXT DELETED – number]** mills operating at the Barcelona facility produce rebar, wire rod, merchant bar, specialist bar and structural steel sections. This facility has a crude steel production capacity of approximately **[CONFIDENTIAL TEXT DELETED – number]** tonnes per annum.

- Celsa Nervacero

Celsa Nervacero operates one electric arc furnace producing billet and a rolling mill producing both rebar and rod wire products. Celsa Nervacero has a crude steel production capacity of **[CONFIDENTIAL TEXT DELETED – number]** million tonnes per annum.

- Celsa Atlantic

Celsa Atlantic operates two rolling mills producing rebar and wire rod. **[CONFIDENTIAL TEXT DELETED – production process]**. Celsa Atlantic did not export any of the goods under consideration to Australia during the investigation period.

- Global Steel Wire:

Global Steel Wire (GSW) operates one electric arc furnace producing billet and a single rolling mill focusing on the production of high grade wire rod products. These products are typically used in industries such as the automotive sector. GSW has a crude steel production capacity of **[CONFIDENTIAL TEXT DELETED – number]** tonnes per annum.

[CONFIDENTIAL TEXT DELETED – non-public company corporate structure].

The companies provided an organisational structure chart detailing the ownership structure within the Spanish group of companies. A copy of this chart is contained at **Confidential Attachment Chart 1**.

2.2 Relationships with suppliers and customers

2.2.1 Suppliers

Celsa Barcelona advised that it partially sourced scrap metal from **[CONFIDENTIAL TEXT DELETED – related party]**. **[CONFIDENTIAL TEXT DELETED – non-public company corporate structure]**. Purchases of scrap steel by Celsa Barcelona from **[CONFIDENTIAL TEXT DELETED – related party supplier]** are discussed in section 7 of this report.

Celsa Nervacero advised that it **[CONFIDENTIAL TEXT DELETED – purchase of raw material from related entities]**.

2.2.2 Customers

Both Celsa Nervacero and Celsa Barcelona advised that they sold rebar in the domestic market to the related company, **[CONFIDENTIAL TEXT DELETED – related party]**.

[CONFIDENTIAL TEXT DELETED – non-public company corporate structure and business function of related party customer]. Sales of rebar to this entity by the companies and the treatment for related party transactions are discussed in section 8 of this report.

2.2.3 Support Services

The Celsa Group's headquarters are located in Barcelona at the same site as Celsa Barcelona's manufacturing facilities. **[CONFIDENTIAL TEXT DELETED - corporate and group internal management]** The treatment of the costs associated with these shared services are discussed in section of 7 this report.

2.3 Commercial operations

2.3.1 General

As mentioned above, Celsa Barcelona and Celsa Nervacero are steel manufacturers. Celsa Barcelona production facilities are located in Barcelona, Spain and Celsa Nervacero's production facilities are located in Bilbo, Spain. Corporate functions for both companies are predominately provided in Barcelona through the Celsa Group.

Table 1, below, lists the primary products produced by the two companies. These products are produced in a variety of sizes, diameters and shapes.

Celsa Barcelona	Celsa Nervacero
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Steel Reinforcing Bar in Straights	Steel Reinforcing Bar
Steel Reinforcing Bar in Coils	Steel Reinforcing Coil
Structural Steel Sections	Plain Round Bars
Merchant Bars (Flat & square bars)	
Angles	
Plain round Bars	
Wire in rod and coil	

Table 1: Products Manufactured by Celsa Barcelona & Nervacero

The Celsa Group also produces a range of other processed steel products in Spain, e.g. tubing, electro welded mesh, lattice girders, and springs and forged products (e.g. shafts, crankshafts & Vacuum degassed steel ingots).

Table 2, below, outlines the relative proportional size of rebar sales to total company turnover and a proportional breakdown of rebar sold domestically, exported to Australia and exported to other countries.

	Celsa Nervacero		Celsa Barcelona	
	Volume	Value	Volume	Value
Proportion of total company turnover	[CONFIDENTIAL TEXT DELETED – numbers]			
Proportion of Goods sold:				
Domestically				
Exported to Australia				
Exported to other Countries				

Table 2: Turnover analysis

2.3.2 Summary of rebar production process

In their REQ responses, Celsa Barcelona and Celsa Nervacero provided detailed descriptions of their respective production processes for both facilities. These descriptions are contained in **Confidential Attachment PROD 1**.

In summary, the production process for both companies can be described as follows:

SCRAP TO BILLET PROCESS

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- [CONFIDENTIAL TEXT DELETED – production process]

BILLET TO REBAR PROCIESS

- [CONFIDENTIAL TEXT DELETED – production process]

During the course of the verification visit, the verification team conducted a tour of the production facilities in Barcelona. In relation to the production facilities at Bilbo, the verification team met with a production manager who was familiar with the Bilbo facilities to enable the Commission to gain an understanding of the material differences in the production processes between Barcelona and Bilbo.

2.3.3 Production capacities and actual rates of production

Celsa Nervacero had a rebar production capacity of [CONFIDENTIAL TEXT DELETED - number] tonnes during the investigation period. Actual production volume was [CONFIDENTIAL TEXT DELETED - number] tonnes ([CONFIDENTIAL TEXT DELETED - number]% capacity utilisation rate).

Celsa Barcelona had a rebar production capacity of [CONFIDENTIAL TEXT DELETED - number] tonnes during the investigation period. Actual rebar production during this period was [CONFIDENTIAL TEXT DELETED - number] tonnes ([CONFIDENTIAL TEXT DELETED - number].capacity utilisation rate).

Celsa advised that the demand for rebar within the domestic and European market had significantly declined after the 2008 global financial crisis (GFC). This had resulted in reduced sales post the GFC. However, in recent times the domestic market for rebar had improved. [CONFIDENTIAL TEXT DELETED - discussion about utilisation rates]

[CONFIDENTIAL TEXT DELETED - discussion about production and stoppages].

2.4 Accounting

Celsa Nervacero and Celsa Barcelona's financial year is from 1 January to 31 December.

Both companies advised that they use [CONFIDENTIAL TEXT DELETED - proprietary accounting information system] to maintain their accounts and their accounting systems are maintained in accordance with the Spanish generally accepted accounting principles (GAAP). Both companies' cost accounting information systems are fully integrated within [CONFIDENTIAL TEXT DELETED - proprietary accounting information system], which includes a [CONFIDENTIAL TEXT DELETED - proprietary accounting information system].

Under the company's cost accounting system, costs are based on actual costs and are allocated monthly. Each company has [CONFIDENTIAL TEXT DELETED – profit and cost centres]. Further details of both companies' cost accounting systems are discussed in chapter 7 of this report.

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The accounts for Celsa Barcelona and Celsa Nervacero are required to be audited annually. Copies of each company's respective audit reports were provided for the year ending 31 December 2013. The companies advised that the audit reports for 2014 would not be available until May 2015.

[CONFIDENTIAL TEXT DELETED – details of audited reports for non-public company]

The Commission has reviewed **[CONFIDENTIAL TEXT DELETED – details of audited report]** and is of the view that they would not have a material impact on the Commission's assessment of the accuracy, completeness and relevance of the exporter questionnaire responses provided by the companies.

3 THE GOODS AND THE LIKE GOODS

3.1 The goods

OneSteel described the goods as:

Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods covered by this application include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

Goods excluded from this application are plain round bar, stainless steel and reinforcing mesh.

3.2 Tariff classifications

The ACBPS' Trade Branch advised that the goods under consideration were classified to the following tariff sub-headings in Schedule 3 of the *Customs Tariff Act 1995*:

- 7213.10.00 (statistical code 42);
- 7214.20.00 (statistical code 47);
- 7227.90.90 (statistical code 01); and
- 7228.30.90 (statistical code 49).

Rebar imported from Spain under these tariff subheadings is subject to a general rate of duty of 5%. Rebar imported from all the other nominated countries in this investigation are subject to a "free" rate of duty.

3.3 Like goods

In their respective REQs the companies provided details on the goods they considered to be the like goods sold on the domestic market.⁴

Below, Table 3 provides a summary comparison of the models that the companies considered to be like models:

CELSA NERVACERO		CELSA BRACELONA	
EXPORTED MODEL	DOMESTIC MODEL	EXPORTED MODEL	DOMESTIC MODEL
[CONFIDENTIAL TEXT DELETED – commercial product information]			

⁴ See confidential attachment REQ

Table 3: REQ like goods

3.3.1 Goods exported to Australia

Analysis of the verified export sale data provided by the companies identified that the companies only exported rebar in coils to Australia. All coils were manufactured to meet the standard requirements of AS/NZS 4671:2001 with minimum yield strength of 500 MPa. **[CONFIDENTIAL TEXT DELETED – diameters of the goods exported]**.

While verifying the company's export sales, the Commission reviewed a sample of mill test certificates for rebar exported to Australia. These certificates exhibited that rebar products exported to Australia met the requirements of AS/NZS4671:2001.

[CONFIDENTIAL TEXT DELETED – exports of non-GUC].

3.3.2 Goods sold on the domestic market

Both Companies sold rebar in both straight lengths and in coils in the domestic market during the investigation period. These goods were predominately manufactured to meet the requirements of the Spanish standard **[CONFIDENTIAL TEXT DELETED - specification]**. Both companies also sold small amounts of rebar on the domestic market meeting the French Standard **[CONFIDENTIAL TEXT DELETED - specification]**. Celsa Barcelona also sold a small amount of rebar on the domestic market meeting combined standards of the **[CONFIDENTIAL TEXT DELETED – specification of non-Spanish standard]**. The companies advised that these sales were made to **[CONFIDENTIAL TEXT DELETED – type of customers]** and that their understanding was that the rebar would ultimately be exported to other countries **[CONFIDENTIAL TEXT DELETED – destined foreign market]** for use in construction projects in those countries. The Companies stated that these products could not be legally used in Spain.

The yield strength of rebar sold domestically was predominantly 500 MPa.

Celsa Barcelona sold coiled rebar in diameters of between **[CONFIDENTIAL TEXT DELETED - range]** and rebar straights in diameters of between **[CONFIDENTIAL TEXT DELETED - range]** during the investigation period.

Celsa Nervacero sold coiled rebar in diameters of between **[CONFIDENTIAL TEXT DELETED - range]** and rebar straights in diameters of between **[CONFIDENTIAL TEXT DELETED - range]** during the investigation period.

While verifying the company's domestic sales, the Commission reviewed a sample of mill test certificates for rebar sold domestically. These certificates showed that rebar products sold domestically was manufactured to meet the requirements of the standards specified in the exporter questionnaire.

During the verification, the verification team identified a further product **[CONFIDENTIAL TEXT DELETED – sales of non-GUC for export to third countries]**.

3.3.3 Assessment of like goods

Section 269T(1) of the Act defines like goods to mean:

Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

As mentioned above, rebar manufactured for export sales to Australia and those sold domestically by Celsa Barcelona and Celsa Nervacero are manufactured to different international standards. We note that there are some variations in the requirements of each of these respective standards.

Whilst not being identical, the Commission considers rebar sold domestically by Celsa Barcelona and Celsa Nervacero to have characteristics closely resembling those of the goods exported to Australia during the investigation period when considering factors such as physical likeness (shape and dimension), functional likeness (similar end use and function) and production likeness.

The Commission is therefore satisfied that rebar sold by Celsa Barcelona and Celsa Nervacero on the domestic market in Spain are like goods in accordance with subsection 269T.

In relation to the **[CONFIDENTIAL TEXT DELETED – non-GUC sales]**, the verification team’s preliminary assessment is that this is not a like good. **[CONFIDENTIAL TEXT DELETED – production process of the non-GUC]**.

3.4 Model-matching

The verification team had regard to the Commissions’ issues paper⁵ on the electronic public record concerning the Commission’s proposed position on model matching criteria. This issues paper specified that minimum yield strength, shape (coil or straight), diameter and other considerations (carbon equivalence) were the criteria being considered.

The companies specified in their exporter questionnaire responses that like goods were rebar in coils with a grade of 500 MPa in diameters of **[CONFIDENTIAL TEXT DELETED - diameters]**. In a submission received on 8 April 2015, the companies further submitted that:

- That export sales to Australia in the POI were of the model **[CONFIDENTIAL TEXT DELETED - specification]**.
- That the domestic sales of product meeting the Spanish standard **[CONFIDENTIAL TEXT DELETED - specification]** had a model description of **[CONFIDENTIAL TEXT DELETED – grade]**.

⁵ Document 24 on the electronic public record for investigation 264

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- **[CONFIDENTIAL TEXT DELETED – observation regarding the production process]**.
- That domestic sales included rebar produced to the French standard. That rebar produced to this standard **[CONFIDENTIAL TEXT DELETED – production process and chemical composition regarding the products made to the French standard]**.
- **[CONFIDENTIAL TEXT DELETED – pricing differences between products sold to Spanish domestic market and those destined for France due to the different market conditions of the destination]**.
- **[CONFIDENTIAL TEXT DELETED – sales of the goods destined for other market with different grade]**.

In response to further questions from the Commission⁶, the companies stated in relation to queries about the **[CONFIDENTIAL TEXT DELETED – production process]** to manufacture French standard rebar that:

[CONFIDENTIAL TEXT DELETED – confidential production information]

The Commission's analysis of the goods sold by the two companies identified that the **[CONFIDENTIAL TEXT DELETED – number of models]** sold on the domestic and manufactured to the Spanish standard were produced to meet the grade of **[CONFIDENTIAL TEXT DELETED - grade]**. The verification team queried **[CONFIDENTIAL TEXT DELETED – grade manufactured and sold to Spanish market]**. In response, **[CONFIDENTIAL TEXT DELETED – commercial information regarding sales and market]**. During the verification of sales data, **[CONFIDENTIAL TEXT DELETED – commercial information regarding sales]**.

For purposes of model matching, the verification team considers that the most appropriate models to match are domestic models of matching diameter, having a minimum 500 MPa requirement and that are in a coil form.

On this basis export sales of rebar were model matched to domestic coiled rebar in diameters of **[CONFIDENTIAL TEXT DELETED – diameters]** mm produced to the Spanish grade of B500SD, the **[CONFIDENTIAL TEXT DELETED – product sold to non-Spanish standard and destined for foreign markets]** with a 500 grade and **[CONFIDENTIAL TEXT DELETED – product sold to non-Spanish standard and destined for foreign markets]** with a 500 grade.

⁶ 25 June 2015 Exporter Verifications Response to ADC follow up Questions

4 VERIFICATION OF SALES TO AUDITED FINANCIAL STATEMENTS
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4.1 Celsa Barcelona

Celsa Barcelona provided its audited financial statements for 2013 and its unaudited financial statements for the 2014 year. The Company advised that the audit of its 2014 financial accounts was still in progress and would not be completed until May 2015. From these financial statements we identified Celsa Barcelona's total revenue for each of these periods.

We were able to reconcile these total revenue amounts from these financial statements to the trial balances for each of these respective periods. These trial balances were generated from the company's **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** accounting system. From these trial balances we were able to obtain further **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** trial balance reports providing breakdowns into six monthly periods, including the periods of 1 July 2013 to 31 December 2013 and 1 January 2014 to 30 June 2014.

We were able to reconcile the aggregate of these two six month periods to the specified net sales value and company turnover values reported in the REQ by Celsa Barcelona of €**[CONFIDENTIAL TEXT DELETED – number]**.

Celsa Barcelona was then able to provide to the Commission, through **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]**⁷, with a breakdown of sales data for the investigation period classified by attributes including product type and country of sale. These reports provided both sales values and volumes (metric tonnes). The verification team was able to reconcile the aggregate values of these reports to the trial balance to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent for Celsa Barcelona.

Reconciliation of Domestic sales

The verification team were able to reconcile reported domestic sales specified in the line by listing of domestic sales provided by the company in their REQ. to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent of the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** breakdown of domestic sales. We were able to reconcile the total sales volume to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent. These differences were considered to be immaterial by the verification team.

⁷ An analytical tool linked to Accounting Systems

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While completing this upwards verification, the verification team identified the sale of **[CONFIDENTIAL TEXT DELETED – non-GUC destined to third country market]** Given the description of the goods, the verification team sought further information to determine whether these were like goods (see discussion in section 4.3.3 on verification team’s consideration on whether these constituted the goods under consideration).

Reconciliation of Export Sales to Australia

In reconciling total company turnover for all export sales to Australia, the Commission identified additional export sales to an Australian entity **[CONFIDENTIAL TEXT DELETED – negligible volume of export sales of non-GUC to third country]**.

Apart from the identification of the additional sales to an Australian entity of non-GUC product, the verification team were able to successfully reconcile the value of export sales to Australia to the line by line listing of export sales provided in the company’s REQ to within to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent. This difference was considered to be immaterial by the verification team. The verification team was able to fully reconcile Australian export volume from the REQ to the volumes in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]**.

Documents reconciling sales to the financial statements for Celsa Barcelona are at **Confidential Attachment Sales REC 1**.

4.2 Celsa Nervacero

Celsa Nervacero provided its audited financial statements for 2013 and its unaudited financial statements for the 2014 year. The Company advised that the audit of its 2014 financial accounts was still in progress and would not be completed until May 2015. From these financial statements we identified Celsa Nervacero’s total revenue for each of these periods.

We were able to reconcile these total revenue amounts to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** trial balances for each of these respective periods to the financial statements. From these trial balances were able obtain further **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** trial balance reports providing breakdowns into six monthly periods, including the periods of 1 July 2013 to 31 December 2013 and 1 January 2014 to 30 June 2014.

We were able to reconcile the aggregate of these two six month periods to the specified net sales value and company turnover values reported in the REQ by Celsa Nervacero of **€[CONFIDENTIAL TEXT DELETED – number]**.

Celsa Barcelona was then able to provide to the Commission through **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]**, a breakdown of sales data for the investigation period classified by attributes including product type and source of sale by country. These reports provided both

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sales values and volumes (metric tonnes). The Commission was able to reconcile the aggregate values of these reports the trial balance to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent for Celsa Nervacero.

Reconciliation of Domestic sales

After making adjustments for intra company sales, the verification team were able to reconcile the reported domestic sales specified in the line by listing of domestic sales provided by the company in their REQ to within a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** percent of the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** breakdown of domestic sales. We were able to reconcile the total sales volume to less than **[CONFIDENTIAL TEXT DELETED – negligible number]**% also. These differences were considered to be immaterial by the verification team.

Reconciliation of Export Sales to Australia

The verification team were also able using this methodology to successful reconcile the value export sales and the volume of export sales to Australia reported in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** to the line by line listing of export sales provided in the company's REQ.

Documents reconciling sales to the financial statements for Celsa Nervacero are at **Confidential Attachment Sales REC 2.**

4.3 The Commission's assessment

The Commission is, therefore, satisfied that the domestic and export sales data provided by Celsa Barcelona and Celsa Nervacero is complete and accurate.

5 SALES TO AUSTRALIA

5.1 Distribution channels

[CONFIDENTIAL TEXT DELETED – type and identity of customers] Celsa Nervacero [CONFIDENTIAL TEXT DELETED – type and identity of customers]. The two companies exported approximately [CONFIDENTIAL TEXT DELETED – number] tonnes of rebar to Australian during the investigation period.

Table 4, below, details the Australian customers that Celsa Barcelona and Celsa Nervacero sold to during the period of the investigation.

Customer Name	Celsa Barcelona	Celsa Nervacero
[CONFIDENTIAL TEXT DELETED – customers information]		

Table 4

The companies advised that none of these customers were related to the Celsa group of companies. The verification team found no evidence to indicate anything to the contrary.

5.2 Sale Process

5.2.1 Pricing and negotiations

[CONFIDENTIAL TEXT DELETED – internal corporate management relating to sales].

The companies advised that pricing [CONFIDENTIAL TEXT DELETED – pricing and sales policies].

[CONFIDENTIAL TEXT DELETED – negotiation and sales process].

[CONFIDENTIAL TEXT DELETED – supply agreement in relation to the Australian market].

5.2.2 Discounts, rebates and allowance

[CONFIDENTIAL TEXT DELETED – policies regarding discount, rebates and allowance].

5.2.3 Payment Terms

Sales to Australian customers were completed on the basis of [CONFIDENTIAL TEXT DELETED – payment terms].

5.2.4 Delivery Terms

The company advised that the sales terms [CONFIDENTIAL TEXT DELETED – shipping terms].

5.2.5 Date of sale

Both companies recorded the date of sale as the date of the sales invoice. **[CONFIDENTIAL TEXT DELETED – pricing based on actual quantity]**.

In looking through the requested supporting documentation for the selected 10 transactions, the Commission did not observe any changes in prices, delivery and payment terms from that stated in the purchase orders.

5.3 Verification of export sales to source documents

Both companies provided a line-by-line listing of all its export sales to Australia during the investigation period and copies of export transactions for two shipments in its REQ.

To facilitate downwards verification of the companies export sales to source documentation, prior to the visit the Commission requested that the companies provide supporting documents for a further 10 selected invoice numbers. The companies provided the following documents for each of these selected shipments:

- Purchase order
- Order confirmation
- Commercial invoice
- Proof of payment of invoice
- Inland freight associated port, handling and clearance costs,
- Packing list
- Bill of lading
- Ocean Freight invoice(s)

For the selected transactions, the Commission was able to reconcile each item from the Australian Sales Spreadsheet to the source documents, including actual weight, shipping terms, net invoice value, ocean freight and export handling costs.

The Commission considers that the export sales data provided by the companies is accurate.

Supporting documentation for the selected shipments is at **Confidential Attachments EXP 2**.

5.4 Treatment of Celsa Barcelona and Celsa Nervacero as a single entity

We considered whether it is appropriate to consider Celsa Barcelona and Celsa Nervacero as a single entity for the purpose of calculating dumping margins. Both companies submitted that they should not be treated as a single entity. To support its position, the companies submitted that:

- **[CONFIDENTIAL TEXT DELETED – corporate structure and corporate management]**.

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- [CONFIDENTIAL TEXT DELETED – raw material sourcing circumstances].
- [CONFIDENTIAL TEXT DELETED – shipping arrangement].
- [CONFIDENTIAL TEXT DELETED – production circumstances].

The Commission's view is that the relevant considerations include the ownership and management structure of the entities and the commercial relationship between the entities.

This issue was considered by a World Trade Organisation dispute settlement panel dealing with the case of Korea – Anti-Dumping Duties on Imports of Certain Paper from Indonesia⁸.

The panel stated that:

“In our view, in order to properly treat multiple companies as a single exporter or producer in the context of its dumping determinations in an investigation, the IA has to determine that these companies are in a relationship close enough to support that treatment.”

It also stated that entities could be treated as a single entity where:

“the structural and commercial relationship between the companies in question is sufficiently close to be considered as a single exporter or producer.”

Applied to the circumstances of the Celsa Barcelona and Celsa Nervacero it is noted that:

- [CONFIDENTIAL TEXT DELETED – corporate structure][CONFIDENTIAL TEXT DELETED – corporate management].
- [CONFIDENTIAL TEXT DELETED – circumstances regarding production, sales and corporate relationship]

[CONFIDENTIAL TEXT DELETED – circumstances regarding production, sales and corporate relationship]. The verification team considers that the companies can reasonably be treated as a single entity for the purposes of determining a dumping margin.

5.5 The exporter

The Commission considers that both companies, considered as a single entity, were the exporters of the goods. Both companies:

- manufactured the goods to the specific order of its Australian customers;
- was listed as the supplier on the bill of lading;

⁸ WT/DS312/R

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- invoiced the Australian customer for the goods;
- arranged and paid the inland freight;
- was the principal in the transaction located in the country of export from where the goods were shipped; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

5.6 The importer

The visit team considers that the Australian customers listed in Section 6.1 are the beneficial owners of the goods at the time of importation and are therefore the importers of the goods exported during the investigation period.

The visit team noted that the Australian customers are:

- named as the buyers on the sales contracts;
- named on the commercial invoices; and
- named on the packing lists.

5.7 Arms length

In respect of all transactions (of both companies) for export sales to Australia during the investigation period, the visit team found no evidence that:

- there was no consideration payable for, or in respect of, the goods other than their price,
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all export sales to Australia during the investigation period were arms-length transactions.

5.8 Export price – preliminary assessment

For export sales to Australia by both companies, the Commission considers:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter; and
- the purchases of the goods were arm's length transactions.

Therefore, the Commission considers that export prices can be established under section 269TAB(1)(a) using the invoiced price less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation.

Export prices have been calculated on a monthly basis on a unit value per tonne in Euros on a FOB basis.

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Celsa Barcelona export sales listing and a summary of export prices are at **Confidential Appendix 1.1.**

Celsa Nervacero export sales listing and a summary of export prices are at **Confidential Appendix 1.2.**

6 COST TO MAKE & SELL

6.1 Introduction

The verification team undertook a tour of Celsa Barcelona's production facility, observing the electric arc furnaces producing billet from scrap and the rolling mill producing wire rod and rebar.

Celsa explained that its production costs for Celsa Barcelona are based on actual costs. **[CONFIDENTIAL TEXT DELETED – cost centres]**.

Celsa advised that Nervacero is a smaller production facility, with one electric arc furnace and one rolling mill which produces plain round bars and rebar, in coils or straights. The production process for Nervacero are the same as for Celsa Barcelona.

Celsa explained that its costs for both mills are booked monthly and allocated to product groups according to a set recipe determined in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]**. Celsa advised that it uses **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** environment which integrates its production, sales and inventory management accounts.

Celsa's REQ for both Celsa Barcelona and Nervacero stated that **[CONFIDENTIAL TEXT DELETED – comparison of domestic and export cost of production and SG&A]**.

6.2 Cost of production

6.3 Reconciliation to financial statements – Completeness and Relevance

6.3.1 Celsa Barcelona

Celsa provide in its REQ the cost to make (CTM) data for its production of rebar at the Celsa Barcelona facility by model (**[CONFIDENTIAL TEXT DELETED – cost reporting method]**) for each quarter of the investigation period (**Confidential Appendix CTMS 1**).

Celsa explained that these production costings in Confidential Appendix CTMS 1 were generated from its production reports. The verification team sought firstly to reconcile the relevant production reports to the CTM calculations in Confidential Appendix CTMS 1. Being satisfied that the CTM data accurately reflected the production reports, the verification team then verified that the production reports could be reconciled to Celsa Barcelona's audited accounts.

Step 1: Production reports to unit CTM calculations in Confidential Appendix CTMS 1

Celsa's production reports, generated through its **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** environment, detailed the production

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volume as well as the variable and fixed costs consumed by each of its cost centre. The cost centres relevant to the production of rebar at Celsa Barcelona are **[CONFIDENTIAL TEXT DELETED – cost centres]**. Celsa provided production reports by quarter for the investigation period for each of these cost centres (**Confidential Attachment CTMS 1 and CTMS 2**), as well as production reports for the other cost centres covering the investigation period (**Confidential Attachment CTMS 3**).

Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report which allocated these production costs to the product code level. The **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report for rolling mill 1 showed the production volume and costs allocated to each product code for each month of the investigation period; this report forms **Confidential Appendix CTMS 2**. Celsa advised that it uses **[CONFIDENTIAL TEXT DELETED – detailed cost accounting information]**. The product codes identified the type of product (e.g. rebar), grade, finish and dimensions including weight. Celsa provide an explanation of the product codes which forms **Confidential Attachment CTMS 4**. The verification team was able to reconcile the total volume and CTM in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report to the production reports for rolling mill 1 for each quarter of the investigation period (**Confidential Attachment CTMS 2**).

[CONFIDENTIAL TEXT DELETED – cost accounting and reporting method] Celsa calculated a weighted average unit CTM for each rebar model by quarter for the investigation period as presented in Confidential Appendix CTMS 1. The verification team tested these calculations and is satisfied that the CTM unit calculations in Confidential Appendix CTMS 1 accurately reflects the weighted average unit cost by model presented in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report.

The verification team questioned **[CONFIDENTIAL TEXT DELETED – detailed cost accounting and reporting information]** (refer to **Confidential Attachment CTMS 38**). The verification team was able to verify these revised production costs to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report. Being satisfied that these production costings were reasonably accurate, the verification team then revised the CTM data in Confidential Appendix 1, to differentiate the CTM **[CONFIDENTIAL TEXT DELETED – revision to the by model CTM by the verification team]**.

Celsa further demonstrated the accuracy of the report by selecting a couple of models from different quarters (Coil 12 for quarter 1 and Coil 20 for quarter) and drilling down to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** entries for product codes within these selections reconciling the production volumes and production cost in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** back to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report. For a couple of these **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** entries, the verification team asked Celsa to drill further into the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** entry to show the production cost broken down into CTM cost elements, which

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showed the cost of scrap, ferroalloys, maintenance etc. Celsa could further show **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** entries for the cost of production for individual billets that made up the scrap cost. These **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** entries and reconciliations form **Confidential Attachment CTMS 5**.

Step 2: Production reports to Audited Accounts

Celsa's financial year is a calendar year, at the time of writing, Celsa's audited accounts had not been finalised for 2014. In order to reconcile the production reports to Celsa's audited accounts the verification team selected the 2013 calendar year for which there are audited accounts (**Confidential Attachment CTMS 6**) and covers half the investigation period.

Celsa provided the trial balance for the 2013 period (**Confidential Attachment CTMS 7**), the verification team was able to link by revenue and profit/loss and other costs such as personal expenses, depreciation, and financial expenses detailed in the trial balance to Celsa Barcelona's 2013 audit accounts and is satisfied that the trial balance provided accurately reflects Celsa's audited accounts.

To reconcile the 2013 trial balance to the production reports (**Confidential Attachment CTMS 1, CTMS 2 and CTMS 3**), Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** cost centre and trial balance report which identified all the accounts in the trial balance and then showed the split of these costs across each of the cost centres (e.g. melt shops and rolling mills). This report, described as the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** cost centre report, forms **Confidential Appendix CTMS 3**. It is noted at the outset that the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** cost centre report is prepared for Celsa's usual business and management purposes; it was not designed for the purpose of the verification team's reconciliations. **[CONFIDENTIAL TEXT DELETED – detailed observations regarding cost accounting system and the cost centre report]**.

Celsa demonstrated **[CONFIDENTIAL TEXT DELETED – details of reconciliation process for selected account]**. This reconciliation forms **Confidential Attachment CTMS 9**.

Using this methodology Celsa demonstrated how the costs for electricity could be reconciled from production report for **[CONFIDENTIAL TEXT DELETED – cost centre]** to the trial balance; this reconciliation forms **Confidential Attachment CTMS 10**. The verification team chose a cost, treatment of scale, **[CONFIDENTIAL TEXT DELETED – further sample and reconciliation of production cost]** The total treatment of scale cost for all cost centres reconciled to the trial balance. The documents for this reconciliation form **Confidential Attachment CTMS 11**.

The verification team then selected the production report for **[CONFIDENTIAL TEXT DELETED – cost centre]** for 2013 and sought to verify this to the trial balance. The verification team selected the following costs; scrap and electrodes. For electrodes Celsa provided **[CONFIDENTIAL TEXT DELETED - proprietary accounting**

information system] extracts which showed the electrode cost allocated to each cost centre, reconciling to the production report for **[CONFIDENTIAL TEXT DELETED – cost centre]** as well as the total cost for all cost centres reconciling to the trial balance. This reconciliation is at **Confidential Attachment CTMS 12**. Using the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** cost centre production report the verification team could identify the total scrap cost for 2013 which reconciled to the trial balance; it could also identify this cost allocated to each cost centre which could be reconciled to the production report for **[CONFIDENTIAL TEXT DELETED – cost centre]**. This reconciliation forms **Confidential Attachment CTMS 13**.

Based on the above verification, the verification team is reasonably satisfied that the production reports which were used to generate the CTM data in Confidential Appendix CTMS 1 captured all the costs associated with the production of rebar and these costings can be linked to Celsa Barcelona's trial balance and audited accounts for 2013.

6.3.2 Nervacero

Celsa submitted revised CTMS calculations for Nervacero at the verification visit, these calculations form **Confidential Appendix CTMS 4**. The upwards verification of Nervacero's CTMS data was undertaken in a similar manner to Celsa Barcelona, in that, production reports were used as the basis of the CTMS calculations. These productions reports were verified to the trial balance and audited accounts for 2013.

[CONFIDENTIAL TEXT DELETED – cost accounting details of Celsa Nervacero in comparison with Celsa Barcelona]

Step 1: Production reports to trial balance and audited accounts

[CONFIDENTIAL TEXT DELETED – cost accounting information], however for the purposes of the verification Celsa produced a similar report which listed the costs in all the trial balance accounts and the split of these costs across each of the cost centres (e.g. **[CONFIDENTIAL TEXT DELETED – cost centres]**). This reconciliation report for 2013 forms **Confidential Appendix CTMS 5**. The verification team was able to reconcile this report to the production reports for the melt shop and rolling mill for 2013 (**Confidential Attachment CTMS 14**). This report was also reconciled to the trial balance for 2013 (**Confidential Attachment CTMS 15**). In turn trial balance for 2013 was linked to the audited accounts, by the value of sales, personal and depreciation expense and profit and loss for the same year (**Confidential Attachment CTMS 16**).

The verification team notes that the reconciliation report **[CONFIDENTIAL TEXT DELETED – cost accounting details]**. In reconciling the production reports and trial balance to the reconciliation report, the verification team examined the total cost allocated to each cost centre as well as various cost elements including scrap, gas, labour and maintenance and was satisfied that the production reports accurately reflected the trial balance. For example, for scrap the verification team identified in the trial balance the entry for the purchase of scrap as well as the entry for the consumption cost of the scrap, this consumption cost was reconciled to the scrap

consumption cost in the production report for the **[CONFIDENTIAL TEXT DELETED – cost centre]**.

In examining the 2013 production reports for the melt shop and the rolling mill, the verification team is satisfied that all the costs of the **[CONFIDENTIAL TEXT DELETED – cost centre]** are captured **[CONFIDENTIAL TEXT DELETED – cost accounting details]**.

Step 2: **[CONFIDENTIAL TEXT DELETED – cost reporting in relation to by model costs]**

[CONFIDENTIAL TEXT DELETED – cost reporting method to in relation to by model costs], this worksheet forms **Confidential Attachment CTMS 17**. The worksheet started with the unit CTM by quarter as reported by the production report for the **[CONFIDENTIAL TEXT DELETED – cost centre and cost accounting details]**. Celsa provided production reports by quarter for the **[CONFIDENTIAL TEXT DELETED – cost centres]** for the investigation period, these form **Confidential Attachment CTMS 18**. The verification team verified the unit CTM costs were accurately reported from the production reports to the adjustment worksheet, as a starting point for the adjustments describe below.

[CONFIDENTIAL TEXT DELETED – details of cost accounting and reporting method in relation to by model costs for Celsa Nervacero].

The verification team observes **[CONFIDENTIAL TEXT DELETED – observation regarding cost variations connected to dimension]**.

[CONFIDENTIAL TEXT DELETED – observation regarding cost variations connected to dimension].

The verification team considers that **[CONFIDENTIAL TEXT DELETED – cost reporting method applied reasonably accounted for the by model production cost variations due to specification differences]**. Verification to source documents – Accuracy

6.3.3 Nervacero

The verification team selected the following costs; scrap, ferroalloys, maintenance and chooks and bearings, and sought to further verify these costs from the production reports for the melt shop and the rolling mill (**Confidential Attachment CTMS 18**), through **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** to source documents, including invoices and proof of payment. In order to demonstrate that the production reports accurately captured the costs of production. The selected costs represent over **[CONFIDENTIAL TEXT DELETED – number]** per cent of the cost of the production of rebar.

6.3.4 Scrap

Celsa provided **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** consumption and purchases ledgers for scrap for 2013 which were both reconciled to the trial balance for 2013 (**Confidential Attachment CTMS**

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15). The verification team selected quarter 2 of the investigation period, and verified that consumption cost of scrap reported in the **[CONFIDENTIAL TEXT DELETED – cost centre]** production report (Confidential Attachment CTMS 18), reconciled to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** consumption ledger with less an a **[CONFIDENTIAL TEXT DELETED – negligible number]** per cent variance.

From the purchases ledger, the verification team selected November 2013, and examined the listing of all purchases in this month by supplier. The verification team observed purchases of scrap from. The verification team requested a complete listing of the purchases from **[CONFIDENTIAL TEXT DELETED – related party]** for the investigation period. Celsa demonstrated in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** how it extracted this listing from a listing of all its purchases of scrap by supplier. The verification team noted that purchases from **[CONFIDENTIAL TEXT DELETED – related party]** represent **[CONFIDENTIAL TEXT DELETED – number]** per cent of total purchases of scrap in investigation period, given the insignificance of these purchases; the verification team did not pursue this issue further. The verification team did not observe any other related party purchases of scrap with respect to Nervacero.

The verification team selected one purchase from **[CONFIDENTIAL TEXT DELETED – related party]** and a purchase from an unrelated supplier and requested evidence of invoices and proof of payment. Celsa supplied invoices and proof of payment which reconciled to the purchases ledger.

The documents which support this reconciliation are at **Confidential Attachment CTMS 19**.

6.3.5 Ferroalloys

Celsa provided **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** purchases ledger for ferroalloys for 2013 this ledgers were reconciled to the trial balance for 2013 (Confidential Attachment CTMS 15). The verification team selected quarter 2 of the investigation period, and verified the cost of ferroalloys in the **[CONFIDENTIAL TEXT DELETED – cost centre]** production report (Confidential Attachment CTMS 18) to the cost of consumption of ferroalloys reported in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** consumption ledger for that period.

From the purchases ledger, the verification team selected November 2013, and examined the listing of all purchases in this month by supplier. The verification team selected a purchase and received the corresponding invoice and proof of payment. The invoice and proof of payment reconciled to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** purchases listing.

The documents which support this reconciliation form **Confidential Attachment CTMS 20**.

6.3.6 Overheads – Maintenance

Celsa showed in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** the purchases and consumption ledgers for maintenance cost for 2014, the accounts within these ledgers reconciled to the 2014 trial balance (**Confidential Attachment CTMS 21**). The verification team selected quarter 3 of the investigation period and verified the cost of maintenance in the **[CONFIDENTIAL TEXT DELETED – cost centre]** production report (Confidential Attachment CTMS 18) to the cost of consumption of maintenance reported in the consumption ledger for that period.

A number of different accounts made up the maintenance cost, the verification team selected account **[CONFIDENTIAL TEXT DELETED – account]** to further examine. Celsa provided complete listing of purchases for this account for 2014. The verification team selected one of these purchases and received the corresponding invoices and proof of payment, which reconciled accurately to the purchases ledger.

The documents which support this reconciliation form **Confidential Attachment CTMS 22**.

6.3.7 Chocks and bearings

Celsa showed in **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** the purchases and consumption ledgers for the accounts relating to chocks and bearings for 2014, the accounts within these ledgers reconciled to the 2014 trial balance (Confidential Attachment CTMS 21). The verification team selected quarter 3 of the investigation period and verified the cost of chocks and bearings in the **[CONFIDENTIAL TEXT DELETED – cost centre]** production report (Confidential Attachment CTMS 18) to the cost of consumption of chocks and bearings reported in the consumption ledger for that period.

From the purchases ledger the verification team selected February 2014, and examined a complete listing of purchases for account **[CONFIDENTIAL TEXT DELETED – account code]** in this month by supplier. The verification team selected one of these purchases and received the corresponding invoices and proof of payment, which reconciled accurately to the purchases ledger.

The documents which support this reconciliation form **Confidential Attachment CTMS 23**.

6.3.8 Production volume reconciliation – Nervacero

The verification team sought to verify the production volumes as reported in the production reports (Confidential Attachment CTMS 18), which weights the cost of production and feeds directly into the CTMS calculation in Confidential Appendix CTMS 4.

For the purpose of this production volume reconciliation the verification team examined the January to June of 2014 (i.e. the second half of the investigation period). Celsa provided a stock report which showed the volume and value of the initial opening stock, production, sales, and closing stock. The value of the opening

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and closing stocks was reconciled to an extract of the trial balance. The production volumes were reconciled to the production reports for quarter 3 and 4 for the rolling mill (Confidential Attachment CTMS 18).

The value of the sales in the stock report [**CONFIDENTIAL TEXT DELETED – reconciliation steps related to stock sales**]. The verification team notes that the earlier sales reconciliations (refer to section 4 of this report) examined at the whole investigation period, not 6 month blocks, the verification team notes that the reported volume of sales in the stock report does reflect approximately half the volume of the sales reconciliation and on this basis looks reasonably accurate.

[**CONFIDENTIAL TEXT DELETED – reconciliation steps related to losses**] amounted to less than [**CONFIDENTIAL TEXT DELETED – negligible number**] per cent of the opening stock and production volume.

The opening stock plus the production volume, minus the sales and losses equalled the volume of the closing stock. Therefore the verification team is reasonably satisfied that the production volume included in the production reports is accurate.

The documents which support this reconciliation are at **Confidential Attachment CTMS 24**.

6.3.9 Celsa Barcelona

To support the downwards verification of Celsa Barcelona's CTM calculation in Confidential Appendix CTMS 1, the verification team selected the following costs; scrap, electricity, natural gas, labour and depreciation, and sought to trace these costs from the production reports through [**CONFIDENTIAL TEXT DELETED - proprietary accounting information system**] to source documents, including invoices and proof of payment.

6.3.10 Scrap

Celsa advised that it purchases [**CONFIDENTIAL TEXT DELETED – number**] per cent of its scrap requirement from a related company ([**CONFIDENTIAL TEXT DELETED – corporate share structure**]). [**CONFIDENTIAL TEXT DELETED – function of related party as a scrap supplier**]. Celsa submitted that it negotiates prices with [**CONFIDENTIAL TEXT DELETED – related party supplier**] based on the prevailing market price for scrap.

The verification team requested [**CONFIDENTIAL TEXT DELETED – related party supplier**] audit annual statements for the past 2 years these statements form **Confidential Attachment CTMS 25**. [**CONFIDENTIAL TEXT DELETED – observation regarding related party supplier's audited statements**] Celsa submitted that on page 23 of the audit statement the auditor stated that 'related-party transactions relate to normal Company trading activity and are carried out on an arm's length basis'. Celsa did not provide a translated version of [**CONFIDENTIAL TEXT DELETED – related party**] audited statements, the verification team cannot therefore verify this statement.

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Celsa provided scrap pricing analysis for the months of June, July and August 2014, this analysis forms **Confidential Attachment CTMS 26**. This analysis showed **[CONFIDENTIAL TEXT DELETED – comparison showing that scrap prices from related party were higher than non-related suppliers]**.

In addition to the pricing analysis provided by Celsa, the verification team undertook its own analysis of prices by supplier and scrap type for the first quarter of the investigation period (July to Sept 2013), based on an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report provided by Celsa (**Confidential Attachment CTMS 38**), The verification team found that **[CONFIDENTIAL TEXT DELETED – observation regarding detailed comparison of scrap prices from related party supplier with non-related suppliers]** overall prices charged by **[CONFIDENTIAL TEXT DELETED – related party supplier]** did not differ significantly from the average prices of non-related suppliers. The verification team considers at this stage that prices paid to its related supplier for the purchase of scrap reflect an arms length price for these goods.

To reconcile the scrap cost down to invoices, Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report for the purchases and consumption of scrap for quarter 1 of the investigation period. This report included the opening and closing value of the scrap for this period, these values were reconciled to an extract of the trial balance. The consumption of scrap was broken down to the two melt shops, the volume and value for the consumption of scrap was reconciled to the **[CONFIDENTIAL TEXT DELETED – cost centre]** production report (**Confidential Attachment CTMS 27**), for quarter 1 with a variance of less than **[CONFIDENTIAL TEXT DELETED – negligible number]** per cent.

The verification team selected two scrap types (**[CONFIDENTIAL TEXT DELETED – scrap types]**) to examine further. Celsa provided an report for quarter 1 showing purchases of the selected scrap types by supplier. The verification team was able to link the volume and value of these purchases to the previous higher level **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report, discussed above.

From this **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report by supplier the verification team noted a purchase from **[CONFIDENTIAL TEXT DELETED – related party]** (a related company in the Celsa group), Celsa explained that this was a one off purchase for the purposes of analysing the scrap raw material. The verification team noted that there were no other purchases from **[CONFIDENTIAL TEXT DELETED – related party]** and that the purchase was for only a small amount and therefore did not pursue this issue further. The verification team selected two scrap suppliers, one related and one unrelated to examine further.

For the related party, **[CONFIDENTIAL TEXT DELETED – related party supplier]**, the verification team selected the month of July 2013 and received a complete listing of purchases from **[CONFIDENTIAL TEXT DELETED – related party supplier]** for that month. The total volume and value for this listing was matched back to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report by supplier. The verification team selected a purchase and received the

corresponding invoice and proof of payment, which it was able to reconcile back to the purchases listing.

The verification team undertook a similar exercise with respect to the unrelated supplier, and matched the listing of purchases to **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report by supplier. The verification team selected a purchase and received the corresponding invoice and proof of payment, which it was able to reconcile.

The documents which support this reconciliation form **Confidential Attachment CTMS 28**.

6.3.11 Electricity

To reconcile the electricity cost downwards Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** extract for electricity consumption for quarter 1 for melt shop 2, which was reconciled to the production report for **[CONFIDENTIAL TEXT DELETED - cost centre]** (Confidential Attachment CTMS 27). Within this extract the electricity cost was broken down into specific accounts, the verification team selected the largest of these accounts (**[CONFIDENTIAL TEXT DELETED – account code]**) to examine further.

Celsa provided a complete listing of invoices allocated to this account for **[CONFIDENTIAL TEXT DELETED – cost centre]** for quarter 1, this listing reconciled back to the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** extract. **[CONFIDENTIAL TEXT DELETED – cost accounting information]**. The verification team selected from the listing one invoice entry. Celsa provided the invoices that related to this entry, the verification team was able to reconcile back part of the invoice that was allocated to melt shop 2 by the assignment number.

The documents which support this reconciliation form **Confidential Attachment CTMS 29**.

6.3.12 Natural Gas

The downwards verification of natural gas was undertaken in a similar way to the electricity, in this case, the cost was reconciled to the production report for the **[CONFIDENTIAL TEXT DELETED – cost centre]** (Confidential Attachment CTMS 2).

Celsa explained that cost of gas was invoiced monthly with a single invoice for the whole Barcelona production facility. The cost of gas was allocated to each cost centre based on the consumption of the cost centre which was measured by individual gas metres. The verification team selected one month, and Celsa provided the gas invoice for this month, as well as its **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** record showing how this invoice was allocated across the cost centres. The verification team was able to reconcile the allocation for the rolling mill for this month with the other 2 months of the quarter back to the production report for the rolling mill for quarter 1.

The documents which support this reconciliation are at **Confidential Attachment CTMS 31**.

6.3.13 Labour

Celsa explained that its labour personal were allocated to specific cost centres. Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** ledger for its labour expense relating to the rolling mill for quarter 1, this document forms **Confidential Attachment CTMS 32**.

6.3.14 Depreciation

To support its depreciation expense, Celsa provided an extract of its amortisation schedule. The verification team sought to identify the depreciation expense in relation to the spooler for the rolling mill. Celsa provided an extract of its amortisation schedule showing the depreciation relating to this particular expense. These documents form **Confidential Attachment CTMS 33**.

6.4 Selling, general and administrative (SG&A) expenses

[CONFIDENTIAL TEXT DELETED – internal corporate arrangement and organisation of group].

Celsa explained its SG&A cost as reported in Confidential Appendix 1, reflects its selling and general administration expenses, financial costs and its delivery and logistics expenses. As noted above, Celsa calculated separate Australian export and domestic SG&A expenses.

The verification team could identify these expenses as separate cost centres (e.g. logistics etc) in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report Confidential Appendix CTMS 3. Celsa also provided **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** reports to support each of these expenses as explained below.

6.4.1 Selling expenses

Celsa explained that the selling expense reported in its CTMS calculation (Confidential Appendix CTMS 1) consists of **[CONFIDENTIAL TEXT DELETED – details of selling expenses]**.

For each of these costs Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report which showed these expenses for each month of the investigation period, as well as higher level **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** extract for 2013 and 2014. The verification team was able to trace each of the expenses to the commercial cost centre in the **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report at Confidential Appendix CTMS 3.

[CONFIDENTIAL TEXT DELETED – allocation of selling expenses] This unit cost was then applied to the volume of goods under consideration sold in the domestic market or as Australian exports and reported as part of the selling cost in Confidential

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Appendix CTMS 1. For the 2 other expenses; the provision of bad debt and the cost of credit insurance, Celsa submitted that these costs did not relate to Australian sales, because its Australian sales are secured by letters of credit, and therefore Celsa was not open to the risk of default on these sales. On this basis **[CONFIDENTIAL TEXT DELETED – allocation of various selling costs based on relevance]**

The verification team observes that this allocation methodology results in the selling costs for domestic sales being **[CONFIDENTIAL TEXT DELETED – comparison]** than the selling cost attributed to sales to Australia. As discussed below, the expenses relating to letters of credit for Australian sales is captured in the financial expenses and only attributed to export sales.

The documents which support the selling expense reconciliation are at **Confidential Attachment CTMS 30**.

6.4.2 General and Administration Expenses

Celsa provided an administration ledger report which listed each of its administration expenses for investigation period. The verification team noted that this ledger included general and administration costs **[CONFIDENTIAL TEXT DELETED – internal corporate management]** including for IT and for personal costs. The verification team linked the administration ledger to the 2013 **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report by examining some of the cost elements cost (for example telephones, account **[CONFIDENTIAL TEXT DELETED – account code]**). Celsa provided an **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report for this expense by month for 2013, the verification team was able to link this to the administration ledger for the first half of the investigation period and matched the total for 2013 to the 2013 **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report general and administration cost centre.

The verification team did not request the administration ledger report for the 2013 period (noting that it had received this report for the investigation period). Therefore the verification team was not able to directly link the general and administration expense in the 2013 **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report, but did note that the 2013 report (Confidential Appendix CTMS 3) included a very similar general and administration expense as the administration ledger for the investigation period, less than **[CONFIDENTIAL TEXT DELETED – negligible number]**% difference.

Celsa attributed **[CONFIDENTIAL TEXT DELETED – allocation of general and administrative costs to domestic and export sales]**.

The documents which support the general and administration expenses, form **Confidential Attachment CTMS 35**.

6.4.3 Financial Expenses

Celsa provided a ledger of its financial expenses showing each month of the investigation period. For each of the accounts listed in the ledger Celsa identified

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whether the expense related to all sales, domestic sales, Australian sales or other exports. For each account that was identified as not relating to all sales, the verification team required Celsa to explain why that account didn't relate to all sales. Celsa provided a description for each of these accounts. The verification team noted that the expenses relating to the letters of credit were captured in the financial expenses ledger and only allocated to export sales.

The verification team notes that the letter of credit costs were identified in the financial expenses ledger and was allocated to export sales. The allocation of the letter of credit expense to Australian sales was reconciled to the 'LC' expense reported in the export sales spreadsheet.

The verification team notes that there were some other export sales expenses which were not allocated to Australian sales, **[CONFIDENTIAL TEXT DELETED – costs unrelated to Australian sales]**. The verification team is satisfied that these expenses do not relate to Australian sales which were paid in euros and were not eligible for early payment discounts.

The verification team selected one of the interest accounts (**[CONFIDENTIAL TEXT DELETED – account code]**) and Celsa provided a trial balance extract showing the total cost for this account for the 2 half's of the 2013 period which the verification team linked to the financial expenses ledger and to the 2013 **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** report.

Following the visit, the team examined the costs attributed to domestic and export sales and noted a discrepancy in the domestic financial expenses calculation. Celsa commented that this is because domestic early payment discount was deducted from the domestic financial expenses as this is reported separately in the domestic sales spreadsheet. The verification team is satisfied that the value of the early payment discount accounts for this discrepancy.

The documents which support the financial expense allocations form **Confidential Attachment CTMS 36**.

6.4.4 Delivery and Logistics Expenses

Celsa's delivery expense in its SG&A calculation reflects its actual delivery expenses incurred for each sales as reported in the inland transport column of the export and domestic sales spreadsheets. This inland delivery expense which was verified as discussed in Section 7 of this report.

Celsa also reported its logistics expense which it calculated for rolling mill 1, this included specific costs for this rolling mill as well as an allocation for the common logistics costs shared across all the rolling mills. Celsa provided extracts of its analyser report to support this calculation. Domestic and export sales share the same logistic expense.

The documents which support the logistic expense calculation for **Confidential Attachment CTMS 39**.

6.4.5 Extraordinary Expenses

[CONFIDENTIAL TEXT DELETED – expenses relating to historic redundancy]

The verification team is satisfied that this expense does not relate to the investigation period.

6.4.6 Nervacero

The verification of Nervacero's SG&A expenses as calculated in its Confidential Appendix CTMS 4, was undertaken in the same manner as for Celsa Barcelona. Celsa included selling, general and administration, financial expenses, delivery and logistics costs. Celsa explained that these costs were calculated in the same manner as for Celsa Barcelona.

Celsa provided **[CONFIDENTIAL TEXT DELETED - proprietary accounting information system]** reports for each of these account, these form **Confidential Attachment CTMS 37**.

As with Celsa Barcelona only the selling expense and the financial expenses differed between domestic and export sales. The selling expense difference relates to the cost of credit and insurance for bad debt which only relate to domestic sales (this difference equates to **€[CONFIDENTIAL TEXT DELETED - number]** per ton). For financial expenses Celsa detailed the expenses that relate to domestic, Australian and other export sales. Once the early payment discount has been accounted for, there is only a small difference of less than **[CONFIDENTIAL TEXT DELETED – negligible amount]** euro between the domestic and export financial expense.

The verification team has interrogated these accounts in the same manner as for Celsa Barcelona and is satisfied that all Nervacero expenses have been captured in its SG&A calculations and that they have been reasonably allocated between domestic, export and Australian sales.

6.5 Cost to make and sell – summary

The verification team is satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by Celsa Barcelona and Nervacero. The verification team considers the CTMS data is suitable for:

- assessing OCOT of domestic sales; and
- determining constructed normal values.

The revised Australian and domestic CTMS for Celsa Barcelona and Nervacero are included in the dumping calculations, see Confidential Appendix 2.1 Barcelona and Confidential Appendix 2.1 Nervacero. 4.

7 DOMESTIC SALES

7.1 Market

As previously mentioned, both companies sell a variety of long steel products on the Spanish domestic market. In relation to rebar, the companies sell a variety of types of customers. These include:

- **[CONFIDENTIAL TEXT DELETED – type of customers and level of trade]**

The companies advised that the domestic market in Spain had contracted significantly after the 2008 GFC. However, in recent times the market had started to improve.

The companies advised that there were **[CONFIDENTIAL TEXT DELETED - number]** competing mills in the domestic market. The companies indicated that, as a group, Celsa held about **[CONFIDENTIAL TEXT DELETED - number]**% of the domestic rebar market. **[CONFIDENTIAL TEXT DELETED – domestic market condition and sales policies]**.

7.2 Sales to associated companies

As previously mentioned both companies sold rebar to the related company, Compresa, during the investigation period. During this period Celsa Barcelona sold **[CONFIDENTIAL TEXT DELETED - number]**% of rebar to this company in terms of volume. Whereas, Celsa Nervacero sold **[CONFIDENTIAL TEXT DELETED - number]**% of its volume of rebar sales to this company.

The Companies submitted to the verification team that prices paid by Compresa were in the range of the prices paid by unrelated customers **[CONFIDENTIAL TEXT DELETED – pricing policy]**. A pricing analysis was provided by the companies to substantiate its claim in regard to pricing. The companies also stated that they adopted a market based pricing policy for related company sales for tax purposes. They specified that this policy was reflected in its pricing with **[CONFIDENTIAL TEXT DELETED – related party]**. A copy of the company's submission this regard is included in **Confidential Attachment Submission 2**.

The verification team also identified a small amount of sales of rebar between **[CONFIDENTIAL TEXT DELETED – related parties]**. The companies explained that these transactions related to sales of rebar to external customers and that prices on these transactions were at the value invoiced to external customers.

The verification team conducted its own separate analysis of pricing to **[CONFIDENTIAL TEXT DELETED – related parties]**. This pricing analysis identified that there was no consistent variation and overall sustained pricing differences between independent and related customers pricing during the investigation period. Related party pricing fluctuated above, below and at the pricing to independent customers. However, any pricing difference was found not to be materially significant.

This analysis of related and non-related company pricing forms **Confidential Attachment Pricing**.

7.3 Domestic sales of rebar manufactured to standards other than the Spanish standard

As described in Section 3.4 of this report, in addition to its domestic sales of rebar to the Spanish standard, both Celsa Barcelona and Celsa Nervacero sold rebar to customers in Spain manufactured to other European standards including the French and Belgium standards. These sales were included in its domestic sales spreadsheets.

Celsa submitted that these sales should be excluded from the normal value on the basis that rebar to these other specifications is not destined for consumption in Spain. Celsa provided copies of the Spanish Royal Decree which mandates that only rebar meeting the Spanish standard can be used in the Spanish construction industry. Celsa also commented that the price of rebar manufactured to other standards is reflective of the markets for rebar in those countries, and not the Spanish market.

From the verification visit, the verification team understood that the customers for rebar manufactured to other standards used the rebar for projects and products that were then sold and used in various other European countries, not in Spain. The verification team notes that the majority of the sales of this non-Spanish standard rebar were to customers categorised as '**[CONFIDENTIAL TEXT DELETED – type of customers]**'.

The verification team considers that the point of 'home consumption', in terms of section TAC(1) occurs when the rebar undergoes some form of transformation or alteration, such that it is 'consumed' and no longer just rebar. The verification team considers that this consumption has occurred at the point that the customers in Spain (being **[CONFIDENTIAL TEXT DELETED – type of customers]**) purchased the non-Spanish rebar to be transformed or altered for use projects and or products. That is, the final product that is exported and used outside Spain is no longer just rebar.

This is distinct from the situation of a trader, where the goods are exported in the same condition as they were brought from the manufacturer, in this case no consumption has occurred and depending on the facts of the case, it may be considered that these are not sales of goods for home consumption.

The verification team notes that there were a small number of sales of non-Spanish standard rebar to customers classified as resellers. The verification team is not in possession of any evidence to indicate that these resellers only sold their purchasers of non-Spanish standard rebar outside of Spain without alteration to the rebar. It may be the case that these resellers sold this non-Spanish standard rebar to fabricators in Spain for consumption in projects or products whose final destination was outside Spain.

For reasons outlined above the verification team considers, at this stage, that sales of non-Spanish standard rebar are sales of like goods for home consumption in Spain in line with section TAC(1), and should be included in the normal value.

7.4 Domestic sales process

7.4.1 Pricing and negotiations

The Companies provided a description of its sales process in their responses to the exporter questionnaire and provided further information during the verification visit.

[CONFIDENTIAL TEXT DELETED – pricing policy]

All pricing is based on actual weight.

7.4.2 Terms of sale

[CONFIDENTIAL TEXT DELETED – shipping terms].

The companies REQ's specified that payment terms varied between **[CONFIDENTIAL TEXT DELETED – payment terms].**

7.4.3 Discounts, rebates and allowances

[CONFIDENTIAL TEXT DELETED – policies relating to discounts, rebates and allowances]

7.4.4 Date of sale

For domestic sales, the verification team has adopted the invoice date as the date of sale.

7.5 Verification of domestic sales to source documents

To facilitate downwards verification of the companies' domestic sales to source documents, the Commission requested the companies to provide supporting documents for a further 10 selected invoice numbers. The companies provided the following documents for each of these selected transactions:

- Job advice;
- Delivery Order;
- Inspection Certificate;
- Delivery Tax invoices
- Tax invoice;
- Bank statements and other documentation evidencing payment ;
- Details of and documentation evidencing transport charges; and
- Details of and documentation evidencing credit notes.

The verification team was able to reconcile selected transactions from the Domestic Sales spreadsheets for both companies to the relevant source documents. Accordingly, the verification team considers that the domestic sales data provided by the companies is accurate. Supporting documentation for the selected transactions is at **Confidential Attachment DOM 2**.

7.6 Arms-length

7.6.1 Pricing for related companies

As previously mentioned in section 8.2, sales were made to related companies. The verification teams analysis of pricing between related and unrelated customers identified that overall the pricing was not materially different and that there was no consistent pattern in pricing differences between related and unrelated customers over the investigation period.

7.6.2 Arms' length – conclusion

In respect of both companies' domestic sales of rebar, the verification team found no evidence that:

- there was any consideration payable for or in respect of the goods other than their price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team, therefore, considers both companies domestic sales during the investigation period were arm's length transactions.

7.7 Volume of sales and ordinary course of trade

Domestic sales cannot be used to establish normal values if the volume of domestic sales that are in the ordinary course of trade is less than 5% of the volume of comparable goods exported to Australia.

Section 269TAAD of the Act provides that, if like goods are sold in the country of export at a price less than the cost of such goods and are losses unrecoverable within a reasonable period, they are taken not to have been in the OCOT.

In order to test whether the domestic sales are in the OCOT, the verification team first tested the profitability of each transaction individually by comparing the unit selling price to the corresponding quarterly weighted average the fully absorbed CTMS for each model. Where the volume of unprofitable sales exceeds 20 per cent for grade, the verification team then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.

We tested individually whether the volumes of domestic sales made in OCOT for each model was at least five per cent of the total volume of the comparable model exported to Australia using the model matching methodology outlined in Section 3.5

The verification team found that there were sufficient volumes of identical models sold in OCOT on the domestic market for all exported models.

7.8 Domestic sales – conclusion

The verification team found sufficient volumes of domestic sales of rebar that were arms' length transactions and sold at prices that were in OCOT for all models for both Celsa Barcelona and Celsa Nervacero.

Detailed breakdowns of the OCOT testing for each model for each company are contained in **Confidential Appendix 3.1** and **Confidential Appendix 3.2** respectively.

8 Third country sales

The Commission considers it has sufficient information to determine a normal value in the ordinary course of trade or on the basis of costs (if required) and did not seek to examine third country sales.

9 ADJUSTMENTS

9.1 General

In calculating dumping margins, the Commission will make adjustments to ensure that the normal value is comparable to the export price.

In this instance, we were able to calculate the export price and corresponding normal value at FOB terms.

The adjustments specified below were applied to both companies, unless specified otherwise.

9.2 Adjustments to the normal value

9.2.1 Domestic inland transport

We consider that a downward adjustment for domestic inland transport is required to ensure fair comparison to the export price. The domestic inland freight cost was calculated based on an actual basis and allocated based on the rebar tonnage in each shipment. Verification of this cost is at Section 8.4 above.

9.2.2 Export inland transport, handling and other expenses

We consider an upward adjustment to normal values to account for export inland transport export handling and other expenses is necessary to ensure fair comparison to the export price. All the costs associated with these services were provided by an inland transport provider. The costs were allocated on actual invoice values for each shipment. Verification of this cost is detailed at Section 6.3 above.

9.2.3 Export Letter of Credit costs

We consider an upward adjustment to normal values to account for export sales letter of credit costs is required to ensure fair comparison to the export price. Verification of this cost is detailed at Section 6.5.4 above

9.2.4 Domestic Credit Costs

We consider that a downward adjustment to normal values to account for domestic credit costs is warranted.

The companies submitted a calculated credit adjustment for each transaction line in the domestic sales spreadsheets. These calculations were provided after the verification visit. The verification team agreed to consider the proposed adjustment after the visit, subject to adequate verification.

The calculations provided by the companies were based on the average number of days taken by each customer to pay invoices. The companies stated that it was not unusual for customers in Spain to pay outside the specified credit terms. The Commission undertook analysis of the provided calculations and tested a sample of the calculations. The verification team considers that credit term calculations

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provided by the companies after the verification visit were insufficiently accurate to base an adjustment on. The reasons for the verification team forming this view are:

- The credit cost is based on the gross invoice value. The verification team considers that any credit cost adjustment should be based on the invoice value net of rebates and discounts given.
- It was identified for the average credit period for sales to **[CONFIDENTIAL TEXT DELETED - customer]** by Celsa Nervacero had been incorrectly calculated at **[CONFIDENTIAL TEXT DELETED - number]** days. After queries made by the verification team, Celsa Nervacero specified that the correct average payment term for **[CONFIDENTIAL TEXT DELETED - customer]** was actually days
- The average credit payment period for customer **[CONFIDENTIAL TEXT DELETED - customer]** which was in the sample of transactions tested, was specified as being **[CONFIDENTIAL TEXT DELETED - number]** days. However, it was noted that of the **[CONFIDENTIAL TEXT DELETED - number]** invoices used to calculate the average payment period, **[CONFIDENTIAL TEXT DELETED - number]** of the invoices were dated **[CONFIDENTIAL TEXT DELETED - date]**. When recalculated by the verification team only using the **[CONFIDENTIAL TEXT DELETED - number]** invoices issued at dates close to or during the investigation period, the average payment period was calculated to be **[CONFIDENTIAL TEXT DELETED - number]** days.

The verification team has recalculated a credit adjustment based on the net invoice value and the number of days specified in the payment terms provided in the domestic sales listing. As specified in section 8.4, the specified credit terms on tested domestic sales transactions were found to be accurate.

9.2.5 Export Other Financial Expenses

As detailed Section 6.5.4 Celsa differentiated a number of its financial expenses depending upon whether they related to domestic, export or Australian sales. Each of these expenses were detailed in the financial expenses ledger, along with an explanation as to why certain expenses didn't relate to all sales. Refer to Confidential Attachment CTMS 36.

For Australian export sales Celsa allocated the general expenses that related to all sales plus an allocation for expenses relating to letters of credit (which is noted in section 9.2.3).

As detailed in Section 6.5.4, in addition to the general financial expenses relating to all sales, Celsa allocated certain financial expenses only to domestic sales, for example domestic **[CONFIDENTIAL TEXT DELETED - selling expenses]** and expenses relating the collection of domestic payments.

9.2.6 Export G &A and Selling Expenses

As outlined in Section 6.5.3, Celsa calculated the same general and administration expense for domestic and export sales. As discussed in Section 6.5.3 Celsa however

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calculated different selling expenses for export sales, not allocating the cost of provision of bad debt and the cost of insurance which was not applicable to Australian export sales as they were secured by letters of credit.

Conversely, as detailed in Section 6.5.3 Celsa's domestic selling expenses include the costs for the provision of bad debt and the cost of insurance, resulting in a downwards adjustment.

9.2.7 Export Commissions

We consider an upward adjustment to normal values to account for commissions paid on export sales is required to ensure fair comparison to the export price. Verification of this cost is detailed at Section 6.3 above

9.2.8 Domestic Commissions

We consider a downward adjustment to normal values to account for commissions paid on domestic sales is required to ensure fair comparison to the export price. Verification of this cost is detailed at Section 8.4 above

9.2.9 Adjustments – conclusion

We are satisfied there is sufficient and reliable information to justify the following adjustments, in accordance with section 269TAC(8) of the Act, and consider these adjustments necessary to ensure fair comparison of normal value and export price.

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Domestic inland transport	Deduct actual domestic inland transport costs
Export inland transport, handling and other expenses	Add export inland transport, handling and other expenses at [CONFIDENTIAL TEXT DELETED - number] euros per tonne for Celsa Barcelona and [CONFIDENTIAL TEXT DELETED - number] euros per tonne for Celsa Nervacero
Domestic Credit Terms	Deduct domestic calculated credit costs to arrive at cash credit terms
Export Letter of Credit costs	Add export letter credit costs at € [CONFIDENTIAL TEXT DELETED - number] per tonne for Celsa Barcelona and € [CONFIDENTIAL TEXT DELETED - number] per tonne for Celsa Nervacero
Domestic Commissions	Deduct specified commissions
Export Commissions	Add export commission costs at € [CONFIDENTIAL TEXT DELETED - number] per tonne for Celsa Barcelona and € [CONFIDENTIAL TEXT DELETED - number] per tonne for Celsa Nervacero
Export Other Financial Expenses	Add for Celsa Barcelona the upwards adjustment for other export financial expenses was € [CONFIDENTIAL TEXT DELETED - number] per ton. For Nervacero this adjustment equated to € [CONFIDENTIAL TEXT DELETED - number] .
Domestic other financial expenses	Deduct for Celsa Barcelona this downwards adjustment for other financial expenses was € [CONFIDENTIAL TEXT DELETED - number] per ton. For Nervacero this downwards adjustment equated to € [CONFIDENTIAL TEXT DELETED - number] per ton.
Export G &A and Selling Expenses	Add the resulting upwards adjustment to the export sales for SG&A for Celsa Barcelona of € [CONFIDENTIAL TEXT DELETED - number] and for Nervacero € [CONFIDENTIAL TEXT DELETED - number] .
Domestic G&A and Selling Expenses	Deduct the downwards adjustment to domestic sales for SG&A expenses for Celsa Barcelona is € [CONFIDENTIAL TEXT DELETED - number] and for Nervacero € [CONFIDENTIAL TEXT DELETED - number] per ton.

Table 5: Adjustment to normal value to ensure comparability to export price

10 NORMAL VALUE

The visit team found sufficient volumes of domestic sales of rebar in grades equivalent to export models for both companies. The sales were arm's length transactions at prices in the OCOT. The visit team is therefore satisfied that prices paid in respect of domestic sales of those models are suitable for assessing normal values under section 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, the visit team considers that certain adjustments, in accordance with section 269TAC(8) of the Act are necessary to ensure comparability of normal values with export prices as outlined in Chapter 10.

Normal value calculations are at **Confidential Appendix 4.1** and **Confidential Appendix 4.2**.

11 DUMPING MARGIN – PRELIMINARY ASSESSMENT

The dumping margin has been assessed by comparing the weighted average export prices to the corresponding weighted average normal values for the investigation period. The dumping margin in respect of rebar exported to Australia by Celsa Barcelona and Celsa Nervacero, treated as a single exporter, for the investigation period is 3.0 per cent.

The preliminary dumping margin calculations are at **Confidential Appendix 5.1, Confidential Appendix 5.1 5.2 and Confidential Appendix 6.**

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LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1.1	Export sales – Celsa Barcelona
Confidential appendix 2.1	Cost to make and sell – Celsa Barcelona
Confidential appendix 3.1	Domestic sales – Celsa Barcelona
Confidential appendix 4.1	Normal value – Celsa Barcelona
Confidential appendix 5.1	Dumping margin – Celsa Barcelona
Confidential appendix 1.1	Export sales – Celsa Nervacero
Confidential appendix 2.1	Cost to make and sell – Celsa Nervacero
Confidential appendix 3.1	Domestic sales – Celsa Nervacero
Confidential appendix 4.1	Normal value – Celsa Nervacero
Confidential appendix 5.1	Dumping margin – Celsa Nervacero
Confidential appendix 6	Single dumping margin - Celsa Barcelona & Celsa Nervacero
Confidential appendix CTMS 1	CTMS data submitted in the REQ
Confidential appendix CTMS 2	[CONFIDENTIAL TEXT DELETED - proprietary accounting information system] report to product code level
Confidential appendix CTMS 3	[CONFIDENTIAL TEXT DELETED - proprietary accounting information system] cost centre report
Confidential appendix CTMS 4	Nervacero revised REQ CTMS data
Confidential appendix CTMS 5	Nervacero reconciliation report
confidential attachment REQ 1	Confidential Exporter Questionnaire Responses for Celsa Barcelona and Celsa Nervacero
Confidential attachment REQ 2	Updated confidential Exporter Questionnaire Responses for Celsa Barcelona and Celsa Nervacero
Confidential Attachment GEN 1	Copy of Agenda for exporter verification visit for Celsa Barcelona and Celsa Nervacero
Confidential Attachment GEN 2	Submission from Celsa Barcelona and Celsa Nervacero
Confidential Attachment Chart 1	Celsa group organisational structure chart
Confidential Attachment PROD 1	Descriptions of manufacturing processes at Celsa Barcelona and Celsa Nervacero
Confidential Attachment Sales Rec 1	Upwards sales reconciliation for Celsa Barcelona
Confidential Attachment Sales Rec 2	Upwards sales reconciliation for Celsa Nervacero
Confidential attachment EXP 1	Export Sales Documents
Confidential attachment Gen 3	Submission from Celsa Barcelona and Celsa Nervacero
Confidential attachment Gen 3	Verification team's pricing analysis
Confidential attachment DOM 2	Domestic Sales Documents
Confidential attachment CTMS 1	Production report for [CONFIDENTIAL TEXT DELETED – cost centre]
Confidential attachment CTMS 2	Production report for [CONFIDENTIAL TEXT DELETED – cost centre]

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Confidential attachment CTMS 3	Production reports for other cost centres
Confidential attachment CTMS 4	Explanation of product codes
Confidential attachment CTMS 5	[CONFIDENTIAL TEXT DELETED - proprietary accounting information system] entries and reconciliation
Confidential attachment CTMS 6	Celsa Barcelona's 2013 audited accounts
Confidential attachment CTMS 7	Celsa Barcelona's 2013 trial balance
Confidential attachment CTMS 9	Barcelona - upwards reconciliation of post account
Confidential attachment CTMS 10	Barcelona - upwards reconciliation of electricity
Confidential attachment CTMS 11	Barcelona - upwards reconciliation of scale cost
Confidential attachment CTMS 12	Barcelona - upwards reconciliation of electrodes cost
Confidential attachment CTMS 13	Barcelona - upwards reconciliation of scrap cost
Confidential attachment CTMS 14	Nervacero - production reports for [CONFIDENTIAL TEXT DELETED – cost centres]
Confidential attachment CTMS 15	Nervacero – trial balance
Confidential attachment CTMS 16	Nervacero – audited accounts
Confidential attachment CTMS 17	Nervacero – worksheet for [CONFIDENTIAL TEXT DELETED – model cost reporting]
Confidential attachment CTMS 18	Nervacero – production reports by quarter
Confidential attachment CTMS 19	Nervacero – downwards scrap reconciliation
Confidential attachment CTMS 20	Nervacero – downwards ferroalloys reconciliation
Confidential attachment CTMS 22	Nervacero – downwards overheads – maintenance reconciliation
Confidential attachment CTMS 23	Nervacero – downwards chocks and bearings reconciliation
Confidential attachment CTMS 24	Nervacero – production volume reconciliation
Confidential attachment CTMS 25	Barcelona – [CONFIDENTIAL TEXT DELETED – related party] audited statements
Confidential attachment CTMS 26	Barcelona – Scrap pricing analysis
Confidential attachment CTMS 27	Barcelona – [CONFIDENTIAL TEXT DELETED - proprietary accounting information system] report for the purchases and consumption of scrap
Confidential attachment CTMS 28	Barcelona – downwards scrap reconciliation
Confidential attachment CTMS 29	Barcelona – downwards electricity reconciliation
Confidential attachment CTMS 30	Barcelona – selling expense reconciliation
Confidential attachment CTMS 31	Barcelona – downwards natural gas reconciliation
Confidential attachment CTMS 32	Barcelona – downwards labour reconciliation
Confidential attachment CTMS 33	Barcelona – downwards depreciation reconciliation
Confidential attachment CTMS 34	[CONFIDENTIAL TEXT DELETED – supporting document relating to SG&A]
Confidential attachment CTMS 35	Barcelona - General and administration expense reconciliation
Confidential attachment CTMS 36	Barcelona – financial expense reconciliation

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Confidential attachment CTMS 37	Nervacero – SG&A expense reconciliation
Confidential attachment CTMS 38	Barcelona – scrap pricing analysis
Confidential attachment CTMS 39	Barcelona – delivery and logistics expenses