



INVESTIGATION 348

**ALLEGED DUMPING OF
QUICKLIME
EXPORTED TO AUSTRALIA FROM MALAYSIA,
THE KINGDOM OF THAILAND AND THE
SOCIALIST REPUBLIC OF VIETNAM**

VERIFICATION REPORT – EXPORTER

UNICHAMP

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

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1 BACKGROUND

On 18 April 2016, the Commissioner of the Anti-Dumping Commission (Commissioner) decided to initiate an anti-dumping investigation in respect of quicklime exported to Australia from Malaysia, the Kingdom of Thailand and the Socialist Republic of Vietnam. Public notice of the Commissioner's decision and reasons for his decision can be found in Anti-Dumping Notice (ADN) No. 2016/40 and in *Consideration Report 348*, respectively.¹

Following initiation of the investigation, the Anti-Dumping Commission's (the Commission) search of the Australian Border Force import database indicated that Unichamp Mineral Sdn Bhd (Unichamp Mineral) exported quicklime to Australia from Malaysia during the period 1 January 2015 to 31 December 2015 (the investigation period).

The Commission notified Unichamp Mineral of the initiation of the investigation and sought its cooperation through the completion of an Exporter Questionnaire regarding quicklime. Unichamp Mineral and Unichamp Resources Sdn Bhd (collectively Unichamp) provided a combined response to the Exporter Questionnaire (REQ) by the due date.

This report sets out the results of the Commission's verification visit conducted in July 2016 in relation to the data provided by Unichamp in the REQ.

¹ ADN 2016/40 and *Consideration Report 348* can be found at www.adcommission.gov.au

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period, Unichamp exported one model of quicklime to Australia, specifically quicklime lumps.

2.2 Like goods sold on the domestic market

Unichamp also only sold quicklime lumps to domestic customers in Malaysia during the investigation period. The verification team found that the domestic product was identical to the exported product in all respects.

2.3 Model matching

As noted in Section 2.2, the verification team considers that the goods manufactured for domestic sales are identical to the goods exported to Australia. In all respects they are a direct model match given that they:

- are not produced separately to the exported goods;
- are produced at the same factory as the exported goods with the same raw material input and manufacturing processes; and
- appear to be functionally and commercially alike.

2.4 Like goods – preliminary assessment

The verification team considers that the quicklime produced by Unichamp for domestic sale is identical in all respects to the goods exported to Australia and can therefore be considered to be 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901*.²

² All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team sought to verify the completeness and relevance of the Australian sales listing submitted in the REQ by reconciling it to the financial statements in accordance with ADN. No 2016/30.

However, at the time of the verification visit, the audit of Unichamp's 2015 financial accounts was being completed. During the visit, Unichamp explained the circumstances behind the delay of the audit which did not raise any concerns with the reliability of the normal operating income accounts recorded in the general ledger. Therefore, the verification team had regard to the general ledger in lieu of the final audited figures to verify the completeness and relevance of the Australian sales listing. The verification team was able to reconcile the export sales spreadsheet to the general ledger.

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

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Unichamp's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

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

3.2.1 Exchange rate

The company advised that monthly exchange rates published by the European Central Bank (ECB) is used in its accounts to post revenue. The verification team reconciled the exchange rates used by Unichamp with the published ECB rates. The verification team then sought to reconcile these rates with the exchange rates indicated in the REQ in relation to the corresponding sales transactions, but was not able to. As a result, the exchange rates in the REQ have been updated with the published ECB rates.

3.2.2 Ocean freight

Unichamp was able to provide ocean freight invoices for all selected sales except for two invoices which it was not able to locate.

In addition, the verification team observed that in relation to two other selected Australian sales, the actual rate of ocean freight indicated by the supporting invoices was higher than the rate of ocean freight indicated in the Australian sales listing. As a result, the rate of ocean freight in the Australian sales listing for these two transactions has been updated to reflect the invoiced rates. For the other selected Australian sales, the rate in the REQ matched the invoiced rates.

Given that the invoiced ocean freight rates for two Australian sales were higher than the rates listed in the REQ, the verification team sought to verify whether the higher rate

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observed for those two Australian sales applied to other Australian sales in the REQ listing.

Unichamp could only provide supporting documentation to demonstrate that the higher rate did not apply to Australian sales up to the end of August 2015. Consequently, the verification team updated the Australian sales listing from September 2015 onwards with the higher rate of ocean freight.

3.2.3 Inland transport

Unichamp advised that they applied one standard rate for inland transport costs to Australian sales during the investigation period. The verification team observed that the invoiced inland transport rate for the majority of the Australian sales selected matched or was lower than the standard rate.

In relation to four of the Australian sales selected, the verification team observed that the invoiced inland transport cost was higher than the standard rate. This was because the number of containers in these shipments was less than those in the standard rate, resulting in a higher unit rate. Therefore, the inland transport rate in the Australian sales listing for these four sales has been updated with the invoiced rate.

Consequently, the verification team also adjusted the inland transport rate for shipments where the number of containers was lower than the standard.

3.3 The exporter – preliminary assessment

The verification team considers Unichamp to be the exporter of the goods in relation to all Australian sales during the investigation period.³

3.4 The importer – preliminary assessment

In relation to quicklime exported to Australia by Unichamp, the verification team considers that the sole customer indicated in the Australian sales listing was the beneficial owner of the goods at the time of importation and therefore, that it was the importer of the goods.⁴

3.5 Related party customers

During the verification visit, the verification team confirmed that, as indicated in the REQ, Unichamp's Australian customer is related to Unichamp, and Unichamp and its Australian customer are owned by the same parent company.

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

⁴ In accordance with the definition of 'importer' in subsection 269T(1).

3.6 Arms length transactions

In relation to Australian sales of quicklime during the investigation period between Unichamp (i.e. the seller)⁵ and its Australian customer (i.e. the buyer), the verification team found no evidence that:

- there was any consideration payable for or in respect of the goods other than their price; or
- Unichamp's customer, or an associate of its customer, 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.

Notwithstanding that Unichamp is related to its Australian customer, the verification team did not find any evidence that the price was influenced by a commercial or other relationship between the customer, or an associate of the customer, and Unichamp, or an associate of Unichamp.

Accordingly, the verification team considers that the relevant Australian sales were arms length transactions in accordance with section 269TAA. This finding is subject to the outcome of the importer visit and whether the importer is selling at a loss under subsection 269TAA(2).

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing in the REQ is complete, relevant and accurate for the purposes of determining export price under section 269TAB.

The verification team recommends that the export price be determined under subsection 269TAB(1)(a) being the price paid or payable by the importer less transport charges or other charges arising after exportation of the goods, because the goods:

- have been exported to Australia otherwise than by the importer, i.e. by Unichamp;
- have been purchased by the importer from the exporter; and
- were purchased by the importer in an arms length transaction.

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

⁵ See also Section 3.3.

4 COST TO MAKE AND SELL

4.1 Verification of costs to make

In the REQ, Unichamp provided annual cost to make and sell data for quicklime manufactured during the investigation period.

The verification team sought to verify the accuracy, completeness and relevance of the cost spreadsheet submitted in the REQ in accordance with ADN No. 2016/30. However, Unichamp was not able to substantiate the cost to make quicklime from its accounts. Unichamp explained that it is currently undergoing a period of transition in its business and due to the complexities involved, it does not have accurate cost records for quicklime. It explained that the cost data submitted in the REQ was an estimate and provided the cost model supporting the cost estimate. Unichamp also provided supporting documentation such as commercial invoices to support material costs and audited statements from previous financial years to support overhead costs.

The verification team noted that the cost model, which matches the data in the cost spreadsheet submitted in the REQ, only included the cost to make quicklime and it was necessary to add selling, general and administrative expenses (see Section 4.2 below) to derive Unichamp's cost to make and sell quicklime.

In order to obtain further confidence in the cost model, the verification team compared Unichamp's cost to make quicklime with another Malaysian exporter's cost to make quicklime and found Unichamp's costs to be reasonable.

Details of the verification process are contained in the verification work program at **Confidential Attachment 1**.

4.2 Selling, general and administrative expenses

The REQ included Unichamp's 2015 unaudited income statement which reconciled to the general ledger. The verification team calculated Unichamp's selling, general and administrative expenses as a percentage of revenue and applied this amount in calculating the cost to make and sell quicklime.

4.3 Cost to make and sell – summary

The verification team ascertained the cost to make and sell quicklime based on the cost model provided, plus the selling, general and administrative expenses of Unichamp for the purpose of assessing whether domestic sales were made in the ordinary course of trade.

The cost to make and sell spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team sought to verify the completeness and relevance of the domestic sales listing submitted in the REQ by reconciling it to financial statements in accordance with ADN. No 2016/30. As discussed in Section 3.1 above, the audit of Unichamp's 2015 financial accounts was being completed at the time of the visit. Therefore, the verification team had regard to the general ledger in lieu of the final audited figures to verify the completeness and relevance of the Australian sales listing, and was able to reconcile the domestic sales spreadsheet to the general ledger.

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

5.2 Verification of domestic sales to source documents

The verification team undertook verification of the accuracy of Unichamp's domestic sales listing in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

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

5.3 Related party customers

During the verification visit, the verification team did not find evidence of any domestic customers that might be related to Unichamp.

5.4 Arms length

In respect of Unichamp's sales of quicklime to its domestic customers (i.e. buyers) during the investigation period, the verification team found no evidence that:

- there was any consideration payable for or in respect of the goods other than their price; or
- the price was influenced by a commercial or other relationship between Unichamp's customers, or associates of its customers, and Unichamp, or an associate of Unichamp; or
- Unichamp's customers, or associates of its customers, 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.

Therefore, the verification team considers that domestic sales of quicklime by Unichamp during the investigation period were arms length transactions in accordance with section 269TAA.

5.5 Ordinary course of trade

Section 269TAA provides that, if like goods are sold in the country of export in sales that are arms length transactions in substantial quantities during an extended period for home

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consumption in the country of export at a price less than the cost of such goods, and this cost is unlikely to be recoverable by the seller within a reasonable period, then the price paid for those goods is taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue for each domestic sale of quicklime to the cost to make and sell quicklime to test whether those sales were profitable. The verification team found that all domestic sales during the investigation period were profitable and therefore made in the OCOT.

5.6 Suitability of domestic sales

In relation to subsection 269TAC(2)(a)(i), the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence or low volume of domestic sales, i.e. sales of like goods in the market of the country of export.

Under subsection 269TAC(14), domestic sales are generally taken to be a low volume where they are less than 5% of the volume of goods the subject of the application that are exported to Australia by the exporter.

The verification team confirmed that the volume of domestic sales was greater than 5% of the total volume of the Australian sales during the investigation period.

5.7 Domestic sales – summary

The verification team is satisfied that the data provided in the domestic sales listing is complete, relevant and accurate for the purposes of determining normal value under subsection 269TAC. The verification team recommends that normal value be determined under subsection 269TAC(1).

The domestic sales listing is at **Confidential Appendix 3**.

6 ADJUSTMENTS

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

6.1 Credit terms

The verification team considers that a downward adjustment to the normal value for domestic credit terms and an upward adjustment to the normal value for export credit terms are necessary to ensure a fair comparison to the FOB export price.

The verification team has applied this adjustment based on the credit days listed for each transaction and Unichamp's 2015 overdraft interest rate.

6.2 Inland freight and handling

The verification team considers that a downward adjustment to the normal value for domestic inland freight expenses is required to ensure a fair comparison to the FOB export price. The verification team applied a downwards adjustment based on the actual inland freight expenses for each transaction.

The verification team also considers that an upward adjustment for export inland freight and handling expenses is required to ensure a fair comparison to the FOB export price. The verification team has applied an upwards adjustment based on the weighted average inland freight and handling expenses over the investigation period.

6.3 Packaging

The verification team considers that an upwards adjustment to the normal value for export packaging is necessary to ensure a fair comparison to the FOB export price. The verification team has applied an upwards adjustment per metric tonne based on the cost of 1.1 MT jumbo bags.

6.4 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to make the following adjustments in accordance with subsection 269TAC(8). It considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

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Adjustment Type	Deduction/addition
Domestic credit	Deduct the cost of domestic credit.
Domestic inland freight	Deduct the cost of domestic inland freight.
Export inland freight and handling	Add the cost of export inland freight and handling.
Export packaging	Add the cost of export packaging.
Export credit	Add the cost of export credit.

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

7 NORMAL VALUE

Given the findings set out in Sections 4 and 5 in relation to domestic sales of quicklime by Unichamp during the investigation period, the verification team found that the sales were:

- not a low volume of sales, as set out in subsection 269TAC(14);
- arms length transactions, in accordance with section 269TAA; and
- at prices that were in the ordinary course of trade, in accordance with section 269TAAD.

Therefore, the verification team recommends that normal value be determined under subsection 269TAC(1), being the price paid or payable in respect of Unichamp's domestic sales of quicklime.

As set out in Section 6, in using domestic sales as a basis for normal value, the verification team has made certain adjustments in accordance with subsection 269TAC(8) which it considered necessary to ensure fair comparison of normal values with export prices.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing the weighted average Australian export prices to the corresponding weighted average normal values for the investigation period, in accordance with subsection 269TACB(2)(a).

The dumping margin in respect of quicklime exported to Australia by Unichamp for the inquiry period is **-4.2%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program with attachments