



ADC 335

**INQUIRY INTO THE CONTINUATION OF
ANTI-DUMPING MEASURES APPLYING TO
CLEAR FLOAT GLASS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA, THE REPUBLIC OF INDONESIA AND
THE KINGDOM OF THAILAND**

VISIT REPORT - EXPORTER

**PT ASAHIMAS FLAT GLASS TBK
and
AGC ASIA PACIFIC PTE., LTD**

**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**

June 2016

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1 BACKGROUND

On 2 December 2015, in accordance with subsection 269ZHB(1) of the *Customs Act 1901* (the Act),¹ a notice was published on the Anti-Dumping Commission's (the Commission's) website inviting certain persons to apply to the Commissioner of the Anti-Dumping Commission for a continuation of anti-dumping measures applying to clear float glass exported to Australia from the People's Republic of China, the Republic of Indonesia (Indonesia) and the Kingdom of Thailand.²

On 1 February 2016, the sole Australian manufacturer of clear float glass, CSR Viridian Limited, lodged an application for the continuation of anti-dumping measures. Following consideration of that application, an inquiry was initiated and public notice made on 23 February 2016 in Anti-Dumping Notice (ADN) No. 2016/19, which is available at www.adcommission.gov.au.

Following initiation of the inquiry, the Commission wrote to AGC Asia Pacific Pte., Ltd (AGC Asia Pacific), as well as other known exporters of clear float glass, inviting them to cooperate with the inquiry by responding to an Exporter Questionnaire. AGC Asia Pacific advised that it sells clear float glass to Australia that is manufactured by related entity PT Asahimas Flat Glass Tbk (PT Asahimas) in Indonesia. Both companies provided completed responses to the Exporter Questionnaire, and relevant attachments, for the period 1 January to 31 December 2015 (the inquiry period).

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

² Anti-Dumping Notice No. 2015/137 refers.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the inquiry period PT Asahimas exported clear float glass to Australia through its related entity AGC Asia Pacific. The company sold clear float glass in seven different thicknesses, ranging from three millimetres (mm) to 12mm.

All clear float glass produced by PT Asahimas for Australian customers was made to order, and therefore no stock was kept on site.

2.2 Like goods sold on the domestic market

During the inquiry period PT Asahimas also sold clear float glass to domestic customers in Indonesia through its related entity PT Rodamas Co. Ltd (Rodamas), in the same thicknesses as those exported to Australia.

Unlike goods produced for export, PT Asahimas indicated that goods for domestic sale are produced to stock, and are only placed into production planning when stock does not meet order requirements.

2.3 Model matching

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

- do not appear to be distinguished from the exported goods during production (other than by different codes, which can be altered in the system);
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

For the purpose of model matching, the verification team considers that it is appropriate to have regard to product thickness.

2.4 Like goods – preliminary assessment

The verification team considers that clear float glass produced by PT Asahimas for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the Act.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

In its response to the Exporter Questionnaire, AGC Asia Pacific provided a detailed spreadsheet listing its Australian export sales of clear float glass during the inquiry period (referred to in this report as the Australian sales listing).

The verification team verified the completeness and relevance of AGC Asia Pacific's Australian sales listing by reconciling it to the financial statements of both AGC Asia Pacific and PT Asahimas³ in accordance with ADN. No 2016/30.

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

3.2 Verification of Australian sales to source documents

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

During this process, the verification team identified two issues relating to inland freight and fumigation costs (Section 3.2.1 refers) and marine insurance (Section 3.2.2 refers). The remainder of the downwards verification did not identify any further issues.

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

3.2.1 Inland freight and fumigation costs

During the visit, PT Asahimas advised that 'over height' charges had been erroneously excluded from inland freight in the Australian sales listing, and were updated accordingly. It was noted by the verification team that all costs up to free-on-board (FOB) were incurred by PT Asahimas, and not by AGC Asia Pacific.

In addition, the verification team found a small number of errors in the allocation of inland freight and fumigation costs to clear float glass products, which PT Asahimas amended. The company also provided a copy of the calculations used to collate these expenses, and having reviewed those calculations, the verification team was satisfied that, based on the information available, the errors it had identified were isolated.

3.2.2 Marine insurance

The verification team found that the calculation of marine insurance submitted by AGC Asia Pacific in the Australian sales listing was not supported by the relevant source documents. In particular, the verification team noted that the incorrect uplift had been

³ At the time of the verification, it was noted that PT Asahimas could submit a copy of its audited financial statements for 2015, while those of AGC Asia Pacific were still in the process of being audited.

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applied to find the 'insured value', as well as the incorrect premium rate. As a result, the Australian sales listing was amended to correct this error.

3.3 Treatment of PT Asahimas and AGC Asia Pacific as a single entity

Taking into account the circumstances surrounding the supply of clear float glass from PT Asahimas to its Australian customers, the verification team has considered the appropriateness of treating PT Asahimas and AGC Asia Pacific as a single entity in accordance with the Commission's current policy practice.⁴

In undertaking this assessment, the verification team has noted that during the inquiry period there was evidence of:

- a close structural and commercial relationship between the companies; and
- a harmonisation of activities to fulfil a common corporate objective.

In particular, the verification team observed that during the inquiry period:

- both PT Asahimas and AGC Asia Pacific were owned (in full or part) by Asahi Glass Co., Ltd;
- it was a requirement that PT Asahimas export all its products to Australia through AGC Asia Pacific, meaning that AGC Asia Pacific could be likened to an export 'division'; and
- the price paid to PT Asahimas for goods exported to Australia:
 - was dependent on the price negotiated by AGC Asia Pacific with its customers; and
 - was set by AGC Asia Pacific with reference to internal guidelines, with no apparent negotiation between the two companies.

As a result, the verification team considers that it is appropriate to treat PT Asahimas and AGC Asia Pacific as a single entity for the purpose of calculating an export price to Australia.

Taking into account the circumstances surrounding the supply of clear float glass from PT Asahimas to its domestic customers, further consideration as to whether it is also appropriate to treat Rodamas as a member of this single entity is provided in Section 5.3 below.

3.4 The exporter

For all Australian export sales during the inquiry period, the verification team considers PT Asahimas and AGC Asia Pacific (as a single entity)⁵ to be the exporter of the goods.⁶

⁴ Refer Dumping and Subsidy Manual (November 2015), page 67.

⁵ Section 3.3 refers.

⁶ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

3.5 The importer

In relation to clear float glass exported to Australia by PT Asahimas and AGC Asia Pacific, the verification team considers that the customers listed in the Australian sales listing were the beneficial owners of the goods at the time of importation, and therefore were the 'importers' of the goods.

3.6 Related party customers

The verification team did not identify any Australian customers that might be related to PT Asahimas and AGC Asia Pacific as a single entity (Section 3.3 refers), based on the relevant responses to the Exporter Questionnaire, sales data and financial statements.

3.7 Arms length

In respect of Australian sales of clear float glass made by PT Asahimas and AGC Asia Pacific⁷ to unrelated customers during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; 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; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁸

The verification team therefore considers that all export sales to Australia made by PT Asahimas and AGC Asia Pacific during the inquiry period were arms length transactions.

3.8 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

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

⁷ Section 3.3 refers.

⁸ Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

In its response to the Exporter Questionnaire, PT Asahimas provided monthly cost to make and sell (CTMS) calculations for each model of clear float glass manufactured during the inquiry period. These calculations were provided separately for the Australian export and domestic markets.

During the visit, PT Asahimas advised that it had collated the CTMS spreadsheet by allocating total costs across all products in accordance with the methodology used in the original investigation. However, noting that its current cost accounting system can more precisely allocate costs to the goods, the company revised the data to reflect this (**Confidential Appendix 2** refers).

The verification team verified the completeness and relevance of PT Asahimas' revised CTMS spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

4.2 Verification of costs to source documents

The verification team verified the accuracy of PT Asahimas' CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

During this process, the verification team identified an issue relating to delivery costs (Section 4.2.1 refers). The remainder of the downwards verification did not identify any further issues.

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

4.2.1 Delivery costs

The verification team noted that a variety of cost items for forwarding, fumigation, detention and stamp fees, all associated with the shipment of glass to customers, had been included in domestic delivery expenses. The verification team considered that these costs should be allocated to export sales, and amended the CTMS spreadsheet accordingly.

4.3 Related party purchases

PT Asahimas stated in its response to the Exporter Questionnaire that it was related to one of its suppliers of soda ash during the inquiry period, Asahi Glass Soda Corporation (United States) (Asahi Corp). Using the documentation collected during the visit, the verification team compared the prices paid by PT Asahimas to both its related and unrelated supplier of soda ash, and did not consider there was any evidence that PT Asahimas was not paying market prices to Asahi Corp.

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The verification team did not identify any additional suppliers that might be related to PT Asahimas, based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified PT Asahimas' CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

PT Asahimas' revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

In its response to the Exporter Questionnaire, PT Asahimas provided a detailed spreadsheet listing its domestic sales of clear float glass during the inquiry period (referred to in this report as the domestic sales listing).

The verification team verified the completeness and relevance of PT Asahimas' domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

5.2 Verification of domestic sales to source documents

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

During this process, the verification team identified three issues relating to missing transactions (Section 5.2.1 refers), payment terms (Section 5.2.2 refers) and inland freight (Section 5.2.3 refers). The remainder of the downwards verification did not identify any further issues.

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

5.2.1 Missing transactions

The verification team noted that two transactions from a selected invoice, relating to returns, were not contained in the domestic sales listing. As a result, the domestic sales listing was amended to include these transactions.

5.2.2 Payment terms

The verification team noted that all payment terms listed for selected transactions in the domestic sales listing were four days more than the difference between the invoice and payment due dates shown on the commercial invoice. As a result, the verification team reduced the payment terms for all transactions by four days in the domestic sales listing.

5.2.3 Domestic inland freight

The verification team noted that domestic inland freight expenses included both direct freight costs associated with the delivery of clear float glass to customers, as well as other indirect (i.e. common) costs associated with the logistics department that had been allocated across all products. The verification team considers that indirect inland freight costs, being common expenses relevant to all sales, should be removed from the domestic sales listing.

5.3 Treatment of PT Asahimas and Rodamas as a single entity

Further to Section 3.3, the verification team has considered the appropriateness of treating PT Asahimas and Rodamas as single entity in accordance with the Commission's current policy practice.

In undertaking this assessment, the verification team has noted that during the inquiry period there was evidence of a close structural and commercial relationship between the companies. In particular, the verification team observed that during the inquiry period:

- Rodamas was a major shareholder of PT Asahimas;
- the price paid to Rodamas by domestic customers was determined by the price negotiated by PT Asahimas; and
- while a commercial invoice was issued between Rodamas and the domestic customer, all customer orders, price negotiations and other interactions were made through PT Asahimas.

As a result, the verification team considers that it is appropriate to treat PT Asahimas and Rodamas as a single entity for the purpose of calculating a normal value.

5.4 Related party customers

The verification team did not identify any domestic customers that might be related to PT Asahimas and Rodamas as a single entity (Section 5.3 refers), based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

5.5 Arms length

In respect of domestic sales of clear float glass made by PT Asahimas and Rodamas⁹ to unrelated customers during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; 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; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales by PT Asahimas and Rodamas during the inquiry period were arms length transactions.

5.6 Ordinary course of trade

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 unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

⁹ Section 5.3 refers.

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The verification team compared the revenue (i.e. net sales value) for each domestic sale of clear float glass to the corresponding monthly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the inquiry period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.7 Suitability of domestic sales

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

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of domestic sales made in the OCOT for all models of clear float glass exported to Australia during the inquiry period.

5.8 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1).

The revised 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 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 is necessary to ensure a fair comparison to the FOB export price.

PT Asahimas proposed that an adjustment be applied based on the credit days listed for each domestic transaction and the annual mid-range short term borrowing rate published by an Indonesian bank for the period of the inquiry. As a result of the visit, the verification team has decided that it is more appropriate for the adjustment to be applied based on the credit days listed for each domestic transaction (as revised per Section 5.2.2) and the weighted average interest rate earned on bank deposits during the inquiry period.

The verification team also considers that an upward adjustment to the normal value for export credit terms is 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 Australian export transaction and AGC Asia Pacific's average short term borrowing interest rate over the period of the inquiry.

6.2 Inland freight and fumigation

The verification team considers that a downward adjustment to the normal value for domestic inland freight expenses is necessary to ensure a fair comparison to the FOB export price. As discussed in Section 5.2.3, the verification team has applied this adjustment based on the monthly direct freight unit cost (per square metre) outlined in the company's cost accounting system.

The verification team also considers that an upward adjustment for export inland freight and fumigation expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost (per square metre) for those expenses over the inquiry period.

6.3 Packaging

The verification team considers that a downward adjustment to the normal value for domestic packaging, as well as an upward adjustment for export packaging, is necessary to ensure a fair comparison to the FOB export price. The verification team has applied these adjustments based on the monthly unit cost (per square metre) for each product thickness, noting that the company's cost system can differentiate between export and domestic products.

6.4 Domestic selling expenses

PT Asahimas has claimed a downward adjustment to the normal value for selling expenses that it incurred on domestic sales, but not exports to Australia. This claim was

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based on the proportion that domestic sale salaries and promotional expenses comprised of domestic net sales revenue.

Given PT Asahimas and AGC Asia Pacific have been treated as a single entity (Section 3.3 refers), the verification team considered that it is more appropriate to base the adjustment on the differential between domestic and export selling expenses incurred by both PT Asahimas and AGC Asia Pacific. It was observed that PT Asahimas did not provide sufficient evidence to support the claim that its domestic selling expenses were greater than those for export across the single entity.

While PT Asahimas revised its claim and sought a downward adjustment to the normal value for promotional expenses only, the verification team considers that such an adjustment is not warranted. In particular, the team considers there is insufficient evidence to show a direct connection between the promotional costs identified and the sale of clear float glass, as well as to show that promotional expenditure is exclusive to clear float glass. As a result, promotional costs are considered to be part of the general cost of doing business, which is not a ground for adjustment.

6.5 Adjustments – conclusion

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

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

The verification team is satisfied that it found sufficient volumes of domestic sales of clear float glass, for all models exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of clear float glass are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

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

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding monthly weighted average normal value for the inquiry period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of clear float glass exported to Australia by PT Asahimas for the inquiry period is **14.4%**.

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	Revised CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work programme, with attachments