



INVESTIGATION 348

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

VISIT REPORT - EXPORTER

RCI LIME SDN BHD

**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 gave public notice of his decision 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 in Anti-Dumping Notice (ADN) No. 2016/40. The background relating to initiation of this investigation is contained in Consideration Report No. 348.

Following initiation of the investigation, a search of the Australian Border Force import database indicated that RCI Lime Sdn Bhd (RCI Lime) exported quicklime to Australia from Malaysia during the period 1 January to 31 December 2015 (the investigation period).

The Anti-Dumping Commission (the Commission) notified RCI Lime of initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding quicklime. RCI Lime provided a completed response to the Exporter Questionnaire, and relevant attachments, on 25 May 2016.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period RCI Lime exported quicklime to Australia. All quicklime products had a calcium oxide purity of █% or higher, and the majority contained granules that were ground to less than █ millimetres (mm) (referred to in this report as quicklime powder).

2.2 Like goods sold on the domestic market

During the investigation period RCI Lime also sold quicklime to domestic customers in Malaysia. These quicklime products had a calcium oxide purity of █% or higher, and contained granules ranging from █ to █mm.

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:

- are not distinguished from the exported goods during production;
- 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 distinguish quicklime powder from other quicklime products. The team observed that quicklime powder was subject to an additional grinding process, and was costed separately by RCI Lime to capture those additional expenses. During the visit, RCI Lime claimed that its prices for quicklime powder █ [\[details of pricing policy\]](#); however, no documentation was provided to support this position. In the absence of any evidence to confirm how RCI Lime determines its pricing for customers, the verification team has made an assessment using the sales information provided.

2.4 Like goods – preliminary assessment

The verification team considers that quicklime produced by RCI Lime 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 *Customs Act 1901* (the Act).¹

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

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of RCI Lime's Australian 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 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 RCI Lime's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were two amendments to the Australian sales listing relating to packaging and payment terms. The verification team 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 Packaging costs

At the start of the verification, RCI Lime provided a revised copy of its Australian sales listing, containing amendments to calculated packaging costs. It is the verification team's understanding that these amendments resulted from changes to the allocation methodology used by the company.

3.2.2 Payment terms

The verification team found that the payment terms identified in the relevant commercial invoices for RCI Lime's Australian customer (as reported in the Australian sales listing) were not reflective of the actual timing of payments. Specifically, it was observed that the period between invoice and payment was significantly different than the payment terms shown on the invoice.

In the absence of documentation that will allow the verification team to calculate an average credit term, the team has elected to amend the Australian sales listing to reflect:

- the actual payment terms verified for each selected export sales transaction; and
- for all other export sales transactions not selected for verification, the largest number of days between invoice and payment of the selected transactions.

This is considered to be the most appropriate methodology, based on the information available to the verification team at this time.

3.3 The exporter

For all Australian export sales during the investigation period, the verification team considers RCI Lime to be the exporter of the goods.²

3.4 The importer

In relation to quicklime exported to Australia by RCI Lime, the verification team considers that the customer listed in the Australian sales listing was the beneficial owner of the goods at the time of importation, and therefore was the 'importer' of the goods.

3.5 Related party customers

The visit team did not identify any information that might suggest the Australian customer was related to RCI Lime, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms length

In respect of Australian sales of quicklime made by RCI Lime to its unrelated customer 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 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.³

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

3.7 Export price – preliminary assessment

The verification team is satisfied that the revised 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**.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

³ Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team noted that RCI Lime could not adequately demonstrate how it had calculated the information provided in the relevant cost to make and sell (CTMS) spreadsheet, and that there were a number of issues with the allocation of data between quicklime and hydrated lime. As a result, the team elected to revise the CTMS spreadsheet using the cost information shown in the company's internal management reports, which included separate quarterly costs for quicklime and quicklime powder.

The verification team verified the completeness and relevance of RCI Lime's revised CTMS spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. During this process, an amendment was made to the CTMS spreadsheet relating to quarry expenses. The verification team 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**.

4.1.1 Additional quarry expenses

The verification team noted that RCI Lime had separately accounted for certain labour and depreciation costs associated with its mining of limestone. These 'quarry' costs had no associated revenue in the company accounts.

The verification team considered that these costs were relevant to the cost of limestone, and therefore to the manufacture of quicklime, and amended the revised CTMS spreadsheet to include these costs accordingly.

4.2 Verification of costs to source documents

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

The verification team did not identify any issues during this process, although the company made a submission to remove certain expenses relating to the relining of its kilns. Details of the verification process are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Costs associated with kiln relining

During the visit, RCI Lime requested that the verification team remove certain 'one off' costs relating to kiln relining, and the associated shutdown of those kilns.

The team does not consider that it has sufficient evidence to be satisfied that any relining activities undertaken by RCI Lime during the investigation period were 'non recurring' for the purpose of subregulation 43(5) of the *Customs (International Obligations) Regulation 2015*.

Further details regarding this assessment are contained at **Confidential Attachment 2**.

4.3 Related party purchases

The verification team did not identify any suppliers that might be related to RCI Lime, 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 RCI Lime's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the revised and amended CTMS spreadsheet is complete, relevant and accurate.

RCI Lime's revised and amended CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of RCI Lime's 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 RCI Lime's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were two amendments to the domestic sales listing relating to packaging and transactions with no quantity. The verification team 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 Packaging

At the start of the verification, RCI Lime provided a revised copy of its domestic sales listing, containing amendments to calculated packaging costs. It is the verification team's understanding that these amendments resulted from changes to the allocation methodology used by the company.

5.2.2 Transactions with no quantity

During the visit, the verification team identified a small number of transactions with no quantity, or associated shipment details. RCI Lime explained that these transactions related to reimbursements, at cost, from transport companies that had lost or damaged products during transit. The verification team considers that these transactions should be removed, and has amended the domestic sales listing accordingly.

5.3 Related party customers

According to RCI Lime's response to the Exporter Questionnaire, the company sold quicklime to its subsidiary, Batamas Sdn Bhd (Batamas), during the investigation period. RCI Lime advised that the selling price to this entity was at a [REDACTED] profit margin.

The verification team did not identify any additional domestic customers that might be related to RCI Lime, based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

5.4 Arms length

In respect of domestic sales of quicklime made by RCI Lime to its related customer 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 its price.

However, the team considered that by making certain [REDACTED] to Batamas, and by offering a [REDACTED] profit margin [details of pricing policy], there was evidence that:

- the price was influenced by a commercial or other relationship between the parties; and
- the customer had received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by RCI Lime to its related customer during the investigation period were not arms length transactions.

In respect of domestic sales of quicklime made by RCI Lime to unrelated customers 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 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 made by RCI Lime to unrelated customers during the investigation period were arms length transactions.

5.5 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).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of quicklime to the corresponding quarterly 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 investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 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.

PUBLIC RECORD

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 both models of quicklime exported to Australia during the investigation period.

5.7 Domestic sales – summary

The verification team is satisfied that the revised 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 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 is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the number of credit days listed for each domestic transaction and the weighted average interest paid on revolving credit during the investigation period.

The verification team also considers that an upward adjustment for export credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the revised number of credit days (Section 3.2.2 refers) and the weighted average interest paid on revolving credit during the investigation period.

6.2 Freight

The verification team considers that a downward adjustment to the normal value for domestic freight expenses is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the ocean⁴ and inland freight costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export inland freight 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 tonne) for those expenses over the investigation period.

6.3 Export handling

The verification team considers that a downward adjustment to the normal value for domestic handling expenses on goods shipped by water⁵ is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the handling costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export handling 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 tonne) for those expenses over the investigation period.

⁴ For sales to East Malaysia.

⁵ For sales to East Malaysia.

6.4 Packaging

The verification team considers that a downward adjustment to the normal value for domestic packaging expenses is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the packaging costs listed for each domestic transaction.

The verification team also considers that an upward adjustment for export packaging 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 tonne) for those expenses over the investigation period.

6.5 Domestic commissions

The verification team considers that a downward adjustment to the normal value for domestic commission expenses is necessary to ensure a fair comparison to the FOB export price. These commissions were noted to comprise a set rate per tonne, and were paid on any transactions where the customer had been referred to RCI Lime. The verification team has applied this adjustment based on the commission costs listed for relevant domestic transactions.

As there were no commissions paid on Australian export sales during the investigation period, the verification team does not consider that a corresponding upward adjustment is required.

6.6 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 freight	Deduct the cost of domestic freight.
Domestic handling	Deduct the cost of domestic handling.
Domestic packaging	Deduct the cost of domestic packaging.
Domestic commissions	Deduct the cost of domestic commissions.
Export inland freight	Add the cost of export inland freight.
Export handling	Add the cost of export 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

The verification team is satisfied that it found sufficient volumes of domestic sales of quicklime, for both 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 quicklime 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 quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of quicklime exported to Australia by RCI Lime for the investigation period is **7.6%**.

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
Confidential Attachment 2	Confidential analysis of kiln relining costs