Australian Government
Australian Customs and
Border Protection Service

INTERNATIONAL TRADE REMEDIES BRANCH

INVESTIGATION

INTO THE ALLEGED DUMPING OF CERTAIN HOLLOW STRUCTURAL SECTIONS (HSS) EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA), THE REPUBLIC OF KOREA (KOREA), MALAYSIA, TAIWAN AND THE KINGDOM OF THAILAND (THAILAND)

AND

ALLEGED SUBSIDISATION OF HSS EXPORTED FROM CHINA

ALPINE PIPE MANUFACTURING SDN BHD
Exporter Visit Report

March 2012

THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MAANGEMENT TEAM AND MAY NOT REFLECT CUSTOMS' FINAL POSITION

TABLE OF CONTENTS

1 PURPOSE AND BACKGROUND

1.1 Background to the investigation

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd (ATM) lodged an application under s.269TB of the *Customs Act 1901* (the Act)[1] for the publication of a dumping duty notice in respect of certain hollow structural sections (HSS) exported to Australia from China, Korea, Malaysia, Taiwan and Thailand, and a countervailing duty notice in respect of HSS exported to Australia from China. Additional information was received from ATM on 26 August 2011 in support of its application.

The application alleges that HSS has been exported to Australia from China, Korea, Malaysia, Taiwan and Thailand at prices lower than its normal value, that HSS exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing HSS.

Following consideration of the application and additional information, the Australian Customs and Border Protection Service (Customs and Border Protection) initiated an investigation on 19 September 2011. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at www.customs.gov.au.

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred.

Alpine Pipe Manufacturing Sdn Bhd (Alpine) was identified in the application as an exporter of HSS from Malaysia. Customs and Border Protection's import database also indicated that Alpine exported HSS from Malaysia to Australia during the investigation period. Consequently, Alpine was invited to participate in the investigation and provided with an Exporter Questionnaire to complete.

Alpine submitted a response to the exporter questionnaire (REQ) including providing requested attachments and other supporting material.

1.2 Purpose of visit

The purpose of the visit was to verify information contained in Alpine's response to the exporter questionnaire (REQ). The REQ included information relating to Alpine's domestic sales, export sales to Australia and costs to make and sell. A non-confidential version of Alpine's REQ was placed on the public record.

1.3 Purpose of report

Based on the verification process and information gathered during our visit this report makes a preliminary assessment of:

- like goods;
- who is the exporter and who is the importer;

[1] A reference to a section or subsection in this report is a reference to a provision of the Act, unless otherwise specified.

- export prices;
- normal values;
- adjustments to normal values for comparison with export prices
- dumping margins.

This preliminary assessment may be used by Customs and Border Protection to form recommendations to the Minister for Home Affairs (the Minister).

1.4 Statement of essential facts

Customs and Border Protection will place a statement of essential facts (SEF) on the public record by 23 April 2012. The SEF will set out the facts on which the Chief Executive Officer (CEO) of Customs proposes to base recommendations to the Minister concerning the variable factors.

Interested parties will be invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of it being placed on the public record. A recommendation to the Minister will be made in a report on or before 7 June 2012.

2 VISIT DETAILS

2.1 Company visited

Alpine Pipe Manufacturing Sdn Bhd.

Office Address:	Lot 6085, Jalan Abdul Manan, Batu 5½, Jalan Meru 41050 Klang Selangor Darul Ehsan, MALAYSIA.
Telephone	+ 603 3377 8688

2.2 Dates and persons present

The verification meetings took place on 15, 16, 17 and 20 February 2012.

Present:

Alpine:
- Ms Law Sook Teng, Executive Director
- Mr Kenneth Teo Choon Chye, Commercial & Administration Manager.
- Mr Chia Yew Loong, Accounts Manager, Group.
- Ms Wendy Lim Mui Ying, Assistant Account Manager.
- Ms Ooi Ai Leng Chief Financial Officer, Group.

Consultants
- Mr Merton Howard, Howard Consulting
- Mr Troy Morrow, Howard Consulting

Malaysian Ministry of International Trade and Industry
- Ms Nik Fadzleen Nik Ibrahim, Assistant Director Trade Practices Section
- Nik Zaiematun, Accountant Trade Practices Section

Australian Customs and Border Protection Service
- Ms Andrea Stone – Manager, Operations 3
- Mr Geoff Gleeson – Director, Operations 3

2.3 Introduction to the visit

Prior to the meeting, we forwarded Alpine an exporter visit agenda that included the sales transactions selected for detailed verification.

At the commencement of the meeting we provided the company representatives with an explanation of the following matters:

- the investigation process and key dates;
- treatment of commercial-in-confidence information;
- status of recommendations by the investigation team; and
- opportunities for further submissions.

We advised Alpine that we would prepare a report of our visit and provide it to Alpine in order for them to review its factual accuracy and identify those parts of the report considered confidential. Following consultation about confidentiality, a non-

confidential version of the report would be prepared for placement on the public record. The company agreed to that arrangement and to assist in its preparation.

3 COMPANY INFORMATION

3.1 Company background

Alpine is a private limited company that is wholly owned by a publicly listed company, Hiap Teck Venture Berhad (Hiap Teck). The principal shareholders in Hiap Teck, as at 31 October 2011, were HSBC Nominees (Asing) Sdn Bhd (35.67%), KHL Sdn Bhd (7.70%) and Lembaga Tabung Haji (7.57%).

Alpine's principal activities are manufacturing and trading steel and iron products. Products manufactured include cold formed structural hollow sections, welded steel pipes, oil and gas (API) pipes, cold rolled hollow sections, lipped channel, high tensile purlin and steel plate known as RPMS.

Alpine operate[redacted] mills in three factories located at the address listed at Section 2.1[redacted] of these mills manufacture the HSS under investigation and other products. In its response to the exporter questionnaire (REQ), Alpine stated that its capacity for production of HSS during the investigation period was [redacted] tonnes per annum. It stated that its actual production the investigation period was [redacted] tonnes, providing for a capacity utilisation rate of [redacted].

3.2 Production of HSS

In its REQ, Alpine described its production process.

Alpine's mills produce black steel pipe from hot rolled coil (HRC) that is sold as either black pipe (including with an oiled or varnished finish) or painted or HDG. Alpine advised it also produces pre-galvanised steel pipe from pre-galvanised HRC and other pipe from cold rolled coil.

The HRC or mother coil is first uncoiled and slit and the slit strips are then recoiled into hoop or baby coils. The baby coil is transferred into production as required and undergoes forming, welding and cutting on the pipe mill into black or pre-galvanised HSS (depending on the HRC used to manufacture it).

Some black pipe, including most of the pipe for the Australian market, is painted after the mill process on either a manual or automated painting line.

Alpine advised that all scrap[2] and downgrade pipe[3] from the production process is sold to one of two companies. Alpine explained that each year it calls for tenders for purchases of scrap and downgrade, and it awards the rights to purchase those products to two companies; one for scrap, and one for downgrade pipe. Alpine explained that the buyers of the scrap and downgrade are unrelated to Alpine and the prices for scrap and downgrade are based on market prices.

On the first day of our visit to the company we undertook a tour of the manufacturing facility. We observed the coil stores, slitting process, accumulator, forming lines,

[2] Such as slitting losses (where the edges of HRC are cut of in the slitting process), scrap from the welding process and product that is not saleable as downgrade (see below).

[3] Also referred to as 'second grade' pipe by Alpine – this consists of pipe that is not of prime quality (e.g. containing a 'butt weld' between two hoop coils, or with an imperfect welded seam).

cutting, painting facilities, and the testing facilities. We also observed the storage facilities for finished goods for domestic and export sales.

3.3 Sales Overview

In its REQ, Alpine provided a turnover statement that showed separate volumes and values for the whole company; the sector including HSS; and HSS. Alpine also provided separate domestic, Australian and third country sales listings of HSS in its REQ. In the original domestic sales listing, it was evident that Alpine had included sales of non-HSS products (from the product code and descriptions).

The turnover figures were revised in the meeting and a new spreadsheet (Sales details all products No.2.xls) was provided.

This sales listing has been revised (as discussed throughout this report) and the revised version is attached at **Confidential Attachment GEN 1**.

In this sales listing, Alpine identified:

- whether sales were of HSS (i.e. the goods under consideration or like goods (see Chapter 4)) or not by reference to their product code and dimensions - including this assessment in a 'GUC' column identifying goods as 'GUC' or 'non-GUC'; and
- the destination market of the sale (i.e. to domestic customers (related or unrelated), Australia, Singapore or another export destination).

During the verification, we observed that this revised listing included a 'country name' column and a 'destination' column. Alpine advised us to ignore the 'country name' column and filter on the 'destination' column. However we observed that there were multiple sales in the 'country name' column identified as being to Australia that were noted as other destinations. We queried this with Alpine, which advised this was due to the fact that the 'country name' column refers to the country of operation of the customer, and not the final destination of the goods, as there were many cases where traders based in one country made purchases destined for other countries.

To test this assertion, we collected four invoices for sales that were identified as being to Australia in the 'country name' column, but to New Zealand in the destination column. These invoices confirmed that these sakes were in fact purchased by Australian traders but were addressed to destinations in New Zealand.

These invoices form **Confidential Attachment GEN 2**.

From this spreadsheet, we observed the breakdown of Alpine's total turnover, by volume (and value), during the investigation period was:

- Domestic sales, [redacted] and
- Exports, [redacted].

In relation to HSS, the breakdown of turnover by volume (and value) during the investigation period was:

- Exports to Australia [redacted]
- Domestic sales, [redacted] and
- Exports to other countries, [redacted]

3.4 Related parties

According to Alpine's audited financial statements for the year ended 31 July 2011, it made domestic sales in that year to the following related parties:

- Hiap Teck Hardware Sdn Bhd;
- Hiap Teck Steel Manufacturing Sdn Bhd;
- Tiek Hone Hardware (B'worth) Sdn Bhd; and
- Huatraco Scaffold Sdn Bhd;

The above companies are also owned by Hiap Teck. We examined the transactions between Alpine and related parties and compared selling prices to the related parties with those to other parties. Further details are discussed in the domestic sales section of this report.

3.5 Accounting

Alpine's financial year is 1 August to 31 July. Alpine provided a copy of its FY 2010 and FY2011 audited financial statements, which are at **Confidential Attachment GEN 3**. It also provided a copy of the 2011 annual report for Hiap Teck, which is at **Non- Confidential Attachment GEN 4**.

Alpine explained that it operates an enterprise resource planning (ERP) system that includes a sales module that can be integrated with the accounting module. It further explained that Alpine's entire operation is regarded as only one profit centre. Alpine advised that it now undertakes process costing, maintained in respect of two basic processes – slitting and forming, the later including testing and painting, but that this has only been imposed following the investigation period, and that no process costing was undertaken during that period.

Alpine's auditor in 2011 was Ernst & Young, Kuala Lumpur - chartered accountants. In its independent auditor's report, Ernst & Young stated:

> *In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true - and fair view of the financial position of the Company as at 31 July 2011 and of its financial performance and cash flows for the year then ended.*

3.6 Actual and theoretical weights

Alpine advised that the volumes reported in the sales listing were all theoretical volumes. Our analysis of the company sales data confirmed this was the case. We therefore consider there is no need to take account of any adjustment when comparing export and domestic prices for dumping margin calculations.

Conversely, Alpine submitted during the verification that the production volumes used in calculating the company's cost to make were actual weights. Our analysis of the company costs data confirmed this was the case.

Alpine explained that generally, the theoretical weight of its sales will be higher than the actual weight as there is a tolerance on the theoretical sales weight and Alpine (as well as other HSS manufacturers) aim to operate on the lighter side of that tolerance.

Alpine suggested that this meant that the comparison of costs to sales undertaken within our calculations may not be an 'apples to apples' comparison, suggesting that this should be taken into account within the dumping calculations.

To support its submission that the actual weight of goods sold is lower than the theoretical weight, Alpine provided a package of production documents (including daily production reports and daily slitted coils usage) for four days in June 2011 (**Confidential Attachment GEN 5**).

These documents included a covering spreadsheet that displayed:

- the input of HRC used for each day;
- the actual weight of the HRC used in that day,
- the output of finished goods in units (lengths), including descriptions of the produced goods;
- the theoretical weight of the finished goods; and
- the actual weight of the finished goods.

We were able to match to the theoretical weight listed in the covering spreadsheet for each product type of the finished goods to the theoretical weight listed fro these descriptions within Alpine's product catalogue (see Section 4.4).

For each of these four days, Alpine calculated the difference between the theoretical weight of output production and the actual weight of the HRC used in the production process, showing a range of between [redacted] difference.

In considering this matter, we observe that the records provided by Alpine to demonstrate this difference were provided late in the verification (as was the matter generally), are limited to one month of the investigation period, and are for dates that were selected by Alpine without direction from the verification team.

We also note that there appear to be anomalies in the provided information (for example, for one selected day the submitted documents appear to suggest that the actual weight of finished goods is greater than the actual weight of HRC used to produce these goods).

We therefore consider that these documents do provide conclusive evidence of the quantum of difference between actual HRC input and theoretical weight of finished goods. In the absence of confidence of this differential, we consider that there is not sufficient justification to take into account this matter when comparing costs to prices for domestic profitability tests.

4 THE GOODS UNDER CONSIDERATION

4.1 The goods under consideration

The goods the subject of the investigation (the goods) were described in Customs and Border Protection's Consideration Report, the International Trade Remedies Branch Consideration Report No.177 (CON 177), as follows.

> *Certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.*
>
> *Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.*

Consideration Report No. 177 also provided the following additional explanation of the goods:

- Non-galvanised HSS is typically painted, oiled, varnished or black (with no oil or protective coating).
- CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the investigation.
- HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.
- HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS). HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

4.2 Tariff classification

At initiation, Customs and Border Protection understood the goods to be classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

Since initiation, the statistical codes related to these relevant subheadings have been altered, and the goods are now classified to the following tariff subheadings:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 25); and

- 7306.69.00 (statistical code 10).

The goods exported to Australia:

- from Korea and Taiwan are subject to a 5% rate of duty;
- from China and Malaysia are subject to a 4% rate of duty; and
- from Thailand using Thailand Free Trade Agreement rates are free from duty as of 1 January 2010.

There are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

4.3 HSS exported by Alpine in the investigation period

As discussed in Section 3.3, Alpine provided a detailed spreadsheet for sales of all products, including export sales to Australia, in the investigation period (Confidential Attachment GEN 1).

The following table provides a summary of those sales of HSS to Australia in terms of product codes, standards and volumes.

Product code (classification and sub-classification)	Description	Standard	Volume (Tonnes)
HR BP	Welded steel pipes	AS 1163	[redacted]
HR GS	Carbon steel tubes/pipes	AS 1163	
HR RH	Rectangular hollow sections	AS 1163	
HR SH	Square hollow sections	AS 1163	
PZ RH	Pre-zinc RHS	AS 1163	
PZ SH	Pre-zinc SHS	AS 1163	
Total			

Alpine provided a list of its product codes, with descriptions, for all goods that it produces. A copy of the product code listing is at **Confidential Attachment GEN 6**.

4.4 Like goods

Alpine's product brochure (at **Confidential Attachment GEN 7**) states that it manufactures and sells two types of HSS that fall in the definition of the goods: cold formed structural hollow sections for structural applications and welded steel pipes for water and general applications. Its brochure also stated that within these classifications Alpine can manufacture to various standard specifications, including:

- BS1387:1985;
- AS1163
- ASTM A 500;
- JIS G 3444; and
- JIS G 3466.

As noted above, Alpine provided a spreadsheet containing details of all sales in the investigation period (Confidential Attachment GEN 1), and it demonstrated how it had gone through this data and identified which goods were the HSS exported to Australia and which goods were HSS sold on the domestic market (like goods).

We noted in this listing that goods clearly not like to HSS (such as angle bar, RPMS, lipped channels) had been classified in the spreadsheet as "non-GUC".

We also noted that Alpine had identified pipes and tubes that were outside the dimension parameters of the goods under consideration, and it classified these as "non-GUC". Alpine also regarded API line pipe to be "non-GUC".

Having regard to the physical, commercial and production likenesses, and to the degree of substitutability, we considered the sales identified by Alpine as "GUC" in relation to its domestic sales were like goods to the HSS Alpine exported to Australia during the investigation period. In particular, the following list of product codes were all considered to be like goods (sold domestically during the investigation period):

Product code (classification and sub-classification)	Description
GI BP	Welded steel pipes
GI CS	Welded steel pipes
GI GS	Carbon steel pipes/tubes
GI RH	Rectangular hollow sections
GI SH	Square hollow sections
HR BP	Welded steel pipes
HR CH	Circular hollow sections
HR CS	Welded steel pipes
HR CL	Cement lined pipes
HR GS	Carbon steel pipes/tubes
HR RH	Rectangular hollow sections
HR SH	Square hollow sections
PZ BP	Pre-zinc welded steel pipes
PZ GS	Pre-zinc carbon steel pipes/tubes
PZ SH	Pre-zinc square hollow sections

Alpine explained that its product codes are made up of classifications and sub-classification. Alpine explained the 'HR' product classification referred to black and painted HSS, PZ to pre-galvanised HSS and GI to HDG HSS. Alpine further explained that the sub-classification identified the shape/type of the HSS as well as the finish in some cases (e.g. BP refers to 'black pipe' (circular), while RH refers to 'rectangular hollow sections').

Although all of these products were regarded as like goods to the HSS exported to Australia, we considered that the most closely comparable domestic sales were those products that have the same product code as the products sold to Australia. All products exported to Australia were also sold domestically in the investigation period. The suitability of domestic sales for use as normal value is discussed in the domestic sales section of this report.

We are satisfied that products that fall within the above product codes (and fall within the size ranges subject to the investigation) produced by Alpine and sold on the domestic market have characteristics closely resembling those of the goods exported to Australia and are like goods.

5 SALES TO AUSTRALIA

5.1 Introduction

During the investigation period, Alpine exported HSS to Australia in sales to:

Name	Tonnes
[redacted]	[redacted]
Grand Total	[redacted]

Alpine stated that it has no export price lists, but it is in regular email contact with its Australian customers in responding to price enquiries, and to make periodic price offers. Alpine provided copies of example emails that for responses to specific enquiries, which are attached at **Confidential Attachment EXP 1**. Alpine also provided copies of example emails that represent periodic price offers, which are at **Confidential Attachment EXP 2**.

5.2 Export sales process

Alpine described the Australian sales process as the following.

- Australian customers seek prices for HSS indicating specifications, sizes, volumes and approximate delivery dates.
- Alpine checks stock availability for HSS but in most cases for Australia orders it needs to make to order, so it checks HRC prices in relation to delivery in about [redacted] months, and it considers the rolling schedules.
- Alpine makes an offer which is usually valid for around [redacted] week.
- Australian customer places a purchase order – it is possible to negotiate price before the purchase order is issued.
- Alpine accepts the order and issues an order confirmation and a sales contract which contains full terms and conditions.
- Around the same time as the order confirmation (and sales contract) Alpine books the order into the rolling schedule.
- Alpine stays in contact with the customers to update them on the order volumes accruing so the importer can arrange overseas freight.
- Alpine records the sales as the goods leave the factory. It raises a delivery order and financial invoice, both with the same reference number, and this data is entered into Alpine's financial system. Both these documents include a reference to the sales order number and to the Australian importers' purchase order number.
- Alpine issues draft packing lists, then organises loading of the goods to the vessel, and then issues a final packing list.
- As the delivery orders are consolidated for shipment to Australia, Alpine raises a commercial invoice.

Alpine provided a copy of its process chart for ordering through to delivery and billing, which is at **Confidential Attachment EXP 3**.

5.3 Export sales terms

The delivery terms for all HSS exported to Australia by Alpine during the investigation period were FOB. The credit terms for all importers other than [redacted] were [redacted]. We consider all of these credit terms to be the equivalent of cash terms. [redacted] credit terms were [redacted].

The invoice currency was either US or Australian dollars.

Alpine stated that the goods were either shipped in containers or "break bulk". We noted there is no way to distinguish between break bulk and containerised sales in the export sales spreadsheet.

Alpine stated that typically it may take several months to completely fill an order, although its customers have requested that goods be shipped as soon as possible after production rather than waiting for the complete order to be produced. As a result shipments to Australia may contain goods from a number of purchase orders.

5.4 Discounts and rebates, credit and debit notes

Alpine explained that no rebates or discounts, other than an early payment settlement discount, were offered to its Australian customers during the investigation period.

Alpine advised that, at times during the investigation period, an early settlement discount would have been offered to its one Australian customer with credit terms [redacted]). However, Alpine explained that [redacted] did not make use of this discount during the investigation period.

In its REQ, it was clear that Alpine's sales listings as provided did not include credits or debit notes. Prior to the verification, Alpine provided a credit and debit note listing displaying all credit and debit notes during the investigation period. This showed only two debit notes to Australian customers and no credit notes.

During the verification, Alpine advised that the provided revised sales listing (Confidential Attachment GEN 1) did not include details of any credit or debit notes (to Australia or other markets).

See Section 7.5 for further discussion of early settlement discounts and credit and debit noters.

5.5 Verification of export sales data

As mentioned in Section 3.3, Alpine provided a revised sales listing during the verification visit (Confidential Attachment GEN 1).

In the revised sales spreadsheet, Alpine included transaction-by-transaction details of all export sales to Australia during the investigation period. This information was obtained from Alpine's sales module and included reference to:

- customer;
- country of customer;
- product classification (PZ, HR, GI, etc.);

- product sub-classification (CS, SH, BP, etc);
- description (carbon steel tube, etc);
- 'resources' (dimensions);
- Invoice number and date;
- quantity (number of pieces and weight);
- unit cost; and
- invoiced amount.

Tracing export sales to audited financial statements

In terms of a completeness check, we undertook an exercise to reconcile the export sales data (along with domestic sales) from the sales listing spreadsheet provided upwards to Alpine's audited financial statements.

Discussion of this process is contained in the domestic sales section of this report. Export and domestic sales volumes and values were checked for completeness in the same exercise.

Tracing export sales data to source documents

Prior to the meeting we requested that Alpine provide supporting documents for six shipments and two debit notes. At the meeting, Alpine provided the following source documents in relation to each of the six shipments:

- the customer purchase order;
- sales contract;
- proforma invoice;
- commercial invoice;
- delivery order;
- packing list;
- bill of lading; and
- evidence of payment.

Copies of the source documents for selected export transactions are at **Confidential Attachment EXP 4**.

We traced the invoice details to the export sales data within the sales listing spreadsheet and noted no discrepancies.

We noted the invoices only showed the volume in numbers of pieces and not in weight. In order to obtain the volumes in kilograms, we used the conversion factors (kg per metre) particular to each product, and dimension, that are contained in the Alpine product catalogue. Once these conversion factors were applied to the number of pieces, and length of each piece, we calculated volumes (Kgs) that matched the amounts shown for each transaction in the export sales spreadsheet.

We are satisfied that the export sales of HSS within the sales listing spreadsheet accurately reflects Alpine's HSS exports to Australia during the investigation period.

We asked Alpine what characteristics of HSS drive differences in price per tonne. Alpine explained that shape, finish, and thickness variations can all affect price.

We asked Alpine whether the grade (e.g. 350LO or 450mpa) affects price. Alpine stated that in relation to 350LO it can provide such a pipe at no extra charge because it buys some HRC that contains sufficient aluminium content to meet the 350LO

requirements without additional impact testing, and that such HRC is no more expensive than average HRC costs. Alpine provided an extract from the Australian standard AS/NZS 1163:2009 to support its position on the exemption from impact testing due to aluminium content. The extract is at **Confidential Attachment EXP 5**.

Alpine explained that in relation to 450mpa HSS, there is very small volume of such product sold to Australia. Alpine said that it would generally use a 355 grade HRC to produce HSS to the 450mpa rating, but that the 355 grade HRC is not much more expensive. In any case, Alpine advised that it sells the 450mpa HSS at the same unit price as 350mpa. Alpine provided a copy of an invoice to [redacted], which contained invoice lines in respect of sales of both 350 and 450mpa, where the unit prices (per tonne) were the same. A copy of that invoice is at **Confidential Attachment EXP 6**.

During the verification, we observed that the volumes of some export sales within Alpine's REQ export sales listing seems unusually high or low, but observed that this was corrected within the revised sales listing provided at the verification (Confidential Attachment GEN 1). We requested invoices for three of these sales, and observed that the volume contained in the sales listing provided at verification accurately matched to these invoices. The three export sales invoices form **Confidential Attachment EXP 7**.

We also asked for evidence to support the only two debit notes that were in relation to Australian sales of HSS in the investigation period (see Section 5.4). Alpine provided a copy of one debit note containing the charges for "stuffing charges, lashing and choking" that were "omitted from the invoice". The other was an extremely small "internal adjustment". The treatment of stuffing charges and other export charges is discussed in greater detail in the Cost to Make and Sell and Adjustments chapters (Chapters 6 and 8) of this report.

Copies of the debit notes are at **Confidential Attachment EXP 8**.

5.6 Date of sale

Alpine considers that the order confirmation date is the date where all material terms of the export sale have been established and cannot be adjusted by either buyer or seller. However, Alpine acknowledged Customs and Border Protection's usual preference was to rely on invoice dates for the purposes of relevant period matching in relation to export prices and normal values that are based on domestic sales. Therefore, Alpine advised, for the purposes of this investigation it had reported the date of sale as being the same as the export invoice date. It had also reported the invoice date as the date of sale for domestic sales.

To support its argument that date of sale should normally be regarded as the order confirmation date, Alpine advised that it has regard to HRC prices for future delivery when establishing the price for exported HSS, and that this is different to its basis for setting price for domestic sales which Alpine says are primarily sold from stock, or made and sold from HRC in stock.

Therefore, Alpine says, its domestic prices at order confirmation date are based on what can be different HRC costs to that which forms the basis of export price quotes made on the same day. Alpine explained that this is because domestic price quotes will generally take account of known HRC costs, while export prices will be quoted after having regard to HRC prices for delivery in the future.

Although Alpine has not claimed a realignment of export prices and normal values to ensure order date is used for period matching, and any debate on the issue is somewhat unnecessary for this report, we considered the circumstances outlined in the paragraph above are we find the circumstances are not a sufficient basis for using order confirmation date as the date of sale.

This is because the circumstances above merely describe why export prices and domestic prices being quoted on the same day may (all other things being equal) vary by reason of the different HRC costs taken into account. This does not provide a reason to depart from invoice dates as the most appropriate for period matching when comparing export prices and normal values.

Indeed, the same circumstances as those described by Alpine can suggest that comparing export sales and domestic sales with the same invoice date is reasonable. It is entirely possible that the HRC costs related to an export sale of any given invoice date would be similar (if not the same) as those related to a domestic sale with the same invoice date. It is reasonable to expect that the only differences in export and domestic price for HSS that is driven by differences in HRC costs would relate to the lead-time differences in HRC purchasing and delivery and/or in the production rolling schedules, so far as those differ between export and domestic sales. However, neither of these potential differences can necessarily be measured by the differences in order confirmation dates.

We have used the invoice dates as the date of sale, and as the basis of any period matching required when comparing export prices and normal values that are based on domestic sales.

5.7 The exporter

We consider that Alpine should be regarded as the exporter of the goods to Australia as Alpine:

- manufacture the goods to the specific order of the Australian customer;
- package and transport the goods to the port for export;
- are listed as the supplier on the bill of lading;
- invoice the Australian customer for the goods; and
- is the 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 for delivery to Australia.

5.8 The importer

We noted that the Australian customers of Alpine:

- negotiated with Alpine and Alpine considered they were the customers;
- are named as the consignee on the bills of lading;
- arrange and pay for ocean freight and marine insurance;
- have an insurable interest in the goods while they are on the water; and
- arrange Customs clearance, logistics, and storage of the goods after they're delivered to the Australian port.

We therefore consider that these customers were the beneficial owners of the goods at the time the goods were imported into Australia, and we therefore consider those customers of Alpine to be the exporters.

5.9 Arms length

In respect of Alpines sales of HSS to its Australian customers during the investigation period, we found no evidence that:

- there is any 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.

We therefore consider all of Alpine's export sales to Australia during the investigation period were arms length transactions.

5.10 Export price – preliminary assessment

Based on our assessment of the information Alpine provided in its REQ and at the verification meetings, we consider:

- that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchase of the goods by the importer was an arms length transaction.

Therefore, we are satisfied that export prices can be established under s. 269TAB(1)(a) of the Act, being the price paid or payable for the goods by the importer less any part of the price that represents a charge in respect of transport of the goods after exportation or in respect of any other matter arising after exportation. In particular, we established export prices separately by shape (RHS/SHS or CHS), by product group (includes finish), by thickness, by quarter.

A summary of export prices is at **Confidential Appendix 1**.

6 COST TO MAKE AND SELL

6.1 General

In its REQ, Alpine provided quarterly cost to make and sell (CTMS) data for domestic HSS in black finish, and Australian HSS in painted finish.

The data was broadly categorised and presented as:

- material costs (HRC);
- direct labour;
- direct expenses;
- indirect expenses;
- warehousing costs;
- painting cost (Australian CTMS only);
- depreciation – painting line (Australian CTMS only);
- personnel costs;
- administration costs;
- selling costs;
- delivery costs; and
- financial costs.

To support these calculations, Alpine provided a 'Unit Cost – Summary' spreadsheet that presented quarterly and yearly CTMS figures in MYR/T, which arrives at the CTMS figures used within our calculations.

The Unit Cost sheet linked to several supporting working spreadsheets (including separate cost to make (CTM) and cost to sell (CTS) spreadsheets).

We sought to trace the CTMS data that was submitted up through management reports to audited financial statements to establish confidence in the completeness and relevance of the data. We also sought to trace the cost data to source documents to establish confidence in the accuracy of the data.

Through this process, we assessed the reasonableness of Alpine's cost allocations, and made revisions where considered necessary. Alpine's revised CTMS workbook forms **Confidential Appendix 2**.

Production volumes

In the CTM calculations, we observed that Alpine used production volumes for the investigation period to apportion pools of costs to unit costs by metric tonnes.

To support these volumes, Alpine provided a 'Monthly Production Tonnage' spreadsheet (**Confidential Attachment CTMS 1**) that identified the monthly production of products from each machine within Alpine's production facility.

This included totals for the product groups of:

- forming (pipe and tube, including HSS and other pipes and tubes that do not meet the description of HSS);
- shearing after slitting (flat bars, angles, some steel sheet and plates, etc.);

- RPMS (steel sheets and plates that Alpine may slit and flattens and cuts from HRC that is purchased by Alpine);
- servicing (the warehousing and slitting and forming of HRC that is owned by Alpine's customers); and
- scrap/downgrade.

Note: the above is Customs and Border Protection's understanding of each production category from information provided by Alpine during and since the verification. However, it is acknowledged that information provided by, and discussions with Alpine, have created confusion as to exactly what process and product falls into each category.

The categories of tonnes of the above goods used for each element of the CTM in MYR/T calculations are discussed throughout this chapter.

Alpine explained that:

- forming and shearing have similar total CTM, as these products are more complicated and undergo a full-length production process;
- RPMS has similar HRC costs to forming and shearing (discussed below) but lower other CTM elements as the production process is simpler and shorter (simply HRC cut to size); and
- servicing has no raw material costs and lower other CTM elements to forming and shearing, as it merely involves the slitting of coil.

Alpine also explained that:

- its 'servicing' production volume is not actual production but rather the volume of the slitting service provided and reflects volume of HRC slit in the period;
- the volume of scrap/downgrade in the production report reflected sales volumes of that product; and
  - the production quantity of RPMS reflects the sales quantity, as RPMS is not held in stock and sold immediately after production.

To verify the volumes contained within the Monthly Production Tonnage spreadsheet for forming and shearing, Alpine provided a copy of its production listing for June 2011, showing production by each machine. We observed that this listing reconciled to the amounts shown within the Monthly Tonnage Spreadsheet.

Further, Alpine provided a sales listing for the period for scrap/downgrade product, RPMS and servicing for the period. Each reconciled to the figures within the 'Monthly Production Tonnage' sheet.

These documents form **Confidential Attachment CTMS 2**.

Sales volumes

In the CTS calculations, we observed that Alpine used sales volumes for the investigation period to apportion pools of costs to unit costs for metric tonnes.

The verification of these sales volumes is discussed within the Domestic Sales chapter of this report.

6.2 Completeness verification – to audited accounts

We asked Alpine to demonstrate that the unit costs submitted in its response could be reconciled to its 2011 audited financial statements.

In the CTMS spreadsheet (Confidential Appendix 2), Alpine provided monthly profit and loss (income) statements for:

- each month of the investigation period;
- each quarter of the investigation period (in a separate 'PnL Qrtly' sheet);
- the month of July 2011;
- a total for the investigation period; and
- a total for the period 1 August 2010 – 31 July 2011 (the FY2011 audited period).

Alpine also provided a copy of its manufacturing statements for the above periods, for all products it manufactured. The manufacturing statement identified raw materials, direct labour, other direct expenses, indirect expenses and movements in work in progress. We observed that the total cost to manufacture in this manufacturing statement fed into the total cost of sales within Alpine's income statement.

We verified that the total income statement for FY2011 reconciled to Alpine's 2011 audited accounts, at both the gross profit and total cost of sales levels, which provided confidence in Alpine's provided income and manufacturing statements.

We observed that all costs apportioned to unit costs per tonne in the CTM and CTS sheets (and then into the 'Unit Cost – Summary' sheet) were derived directly from Alpine's profit and loss statement or manufacturing statement and that all costs within Alpine's profit and loss statement were captured within the unit CTMS calculations (excluding a finance cost for 'Bad Debt Provision', which we observed was incurred in the investigation period, but reversed in July 2011 and hence not considered to be an actual cost incurred in relation to the goods during the investigation period).

6.3 Costs to make (CTM) - verification to source documents

6.3.1 Material costs - HRC

We observed that the raw materials (HRC) costs within the Unit Costs – Summary sheet as submitted were calculated by dividing the total cost of HRC recorded in the manufacturing statement by the total production volume of forming and shearing products (excluding scrap/downgrade, RPMS and servicing).

Verification to source documents

We sought to verify the total purchases figure for HRC contained within Alpine's manufacturing statement for the June 2011 quarter.

Alpine provided copies of its purchases ledgers for HRC for each month of that quarter, which together reconciled to the quarterly total within the manufacturing statement by summing the total purchase prices of all invoices minus monthly totals of 'quantity discounts' received by Alpine on its HRC purchases and a 'stock rebate' (see below for detailed discussion of these discounts and stock rebate). Alpine provided copies of ledgers for the investigation period for both these stock rebates and quantity discounts.

We selected a total of 6 purchase invoices from these ledgers, from a selection of months and suppliers. Alpine provided copies of the invoices for these purchases and we reconciled the purchase quantities and prices for these purchases to the HRC purchase ledgers.

The HRC purchase ledgers, quantity discount and stock ledgers, and supporting HRC purchase invoices are included as **Confidential Attachment CTMS 3**.

Tonnes used to apportion total costs and treatment of scrap/downgrade

We discussed with Alpine the reasonableness of apportioning the total costs of HRC only by the production volume of forming (which includes HSS) and shearing, and not including other product categories.

Alpine explained that servicing should not be included in the apportionment as it does not incur HRC costs (similar to a toll processing arrangement – see above). We agreed with this rationale.

In terms of scrap/downgrade, we agreed that production volumes of this should not be included as they are treated as though they are by-products of the manufacturing process, but that this would reasonably require the offsetting of HRC costs with the revenue for scrap/downgrade. The total HRC costs within the income statement were revised to offset the total scrap/downgrade revenue as shown within the sales listing.[4] Consequently, in terms of other CTM elements (discussed below), we consider it reasonable not to apportion these costs to scrap/downgrade either as these by-products are necessarily created as part of the process of creating saleable prime quality products.

Alpine explained that it considered it was reasonable to apportion the total HRC costs equally amongst forming and shearing as the same HRC is used to produce all products, with only minor variations between coils and hence raw material costs. However, Alpine also explained that the HRC used to manufacture RPMS was the same coil as well. Alpine noted that when entering HRC into production for certain products and specifications, it undergoes a HRC selection process to identify appropriate coils, noting that certain coils will be able to be used to produce products of different specifications.

To demonstrate that all coils are roughly the same cost, Alpine provided a 'monthly production RM' spreadsheet for the investigation period (**Confidential Attachment CTMS 4**), which showed the cost of each individual coil booked into production during the investigation period including supplier and coil specification details.

We conducted analysis of these coil costs by specification and month, and noted that the value of coils booked into production did not vary greatly in price from specification to specification. We concluded that it was reasonable to consider that the cost of Alpine's HRC booked into production during the investigation period is reasonably the same per tonne for all HRC products.[5]

In light of the above, we discussed with Alpine the notion that, if production of RPMS were to be removed from the denominator of its HRC costs per tonne calculations

[4] Verification of this sales listing is discussed in Chapter 7.

[5] Noting that servicing does not incur its own HRC costs.

(i.e. using only forming and shearing production), this would necessarily require a reasonable amount of HRC costs for RPMS to be removed from the total costs being apportioned, or re-enter the RPMS production in the denominator. Alpine agreed with this assertion, and the production volume of RPMS was re-entered into the total volume that raw materials were apportioned by (being the total production of forming, shearing and RPMS but not scrap/downgrade or servicing).

Correction of wrongly-posted HRC sales

During the verification, Alpine provided a copy of its HRC purchases ledger for July 2010, in which it identified that four sales of HRC to related parties that were incorrectly posted as purchases of HRC by Alpine staff.

Alpine provided supporting invoices and sales order notes for each of these four sales. These documents form **Confidential Attachment CTMS 5**.

Alpine submitted that these amounts should be added to the total HRC costs in the total cost of raw materials recorded in the manufacturing statement. We considered this to be reasonable and accepted this change in the total cost of HRC in the manufacturing statement.

Rebates and quantity discounts

During the previous investigation into HSS (Investigation 144), an issue arose in relation to rebates received by Alpine in relation to its purchases of HRC from a Malaysian supplier [redacted]. In that investigation, Customs and Border Protection determined:

> *Alpine did not give a full and open account of matters relevant to the determination of dumping, in particular the receipt of rebate payments during the investigation period. Therefore information provided by Alpine cannot be relied upon because it is no longer considered to be reliable and credible.*[6]

In its REQ, Alpine discussed these rebates, and highlighted that the company's 2010 and 2011 audited accounts discuss the accrual and eventual write-off of these rebates accrued up to FY2009.

Alpine explained that these rebates were accrued in Alpine's accounts as purchases of HRC that were made from [redacted], and Alpine periodically received credits of portions of the amounts accrued from [redacted].

Alpine's 2010 and 2011 annual reports indicated that:

- rebates (identified as 'credits provisionally accrued' in the REQ but 'stock rebates' during the verification visit and in supporting documentation provided – see below) were accrued by Alpine from [redacted] up to the year ended August 2009;
- a credit for part of the accrued rebate amount was provided by Alpine in FY2009 and a balance carried forward into FY2010;
- in FY2010, Alpine ceased accruing these rebates in their previous form, and assessed that only part of the outstanding rebate accrued would likely be

[6] Statement of Essential Facts (SEF) 144, p5.

recovered from [redacted],[7] writing off the portion of accrued rebate it considered would not be likely to be recovered; and

- in FY2011, with no rebates accrued since FY2009, Alpine assessed that the remaining amount of rebates accrued up to and including FY2009 were not likely to be recovered, and wrote off the outstanding amount of these rebates.

Alpine provided a reconciliation sheet that demonstrated the accrual and write-off of these rebates from FY2007 onwards (**Confidential Attachment CTMS 6**).

We accessed the FY2010 annual report for Hiap Teck online, and examined the FY2011 annual report of Hiap Teck (Attachment GEN 4). There reports confirmed the write-off of these rebates.

We found no evidence in Alpine or Hiap Teck's audited reports that indicated that rebates in this form continued past FY2009 (see below for discussion of the current rebate scheme), including throughout the investigation period.

In terms of the FY2011 write-off of these 'stock rebates' accrued in the period up to FY2009, Alpine submitted that this expense in fact related to HRC purchases for periods prior to the investigation period, but was incurred as an expense in November 2010 and June 2011. As mentioned above (discussion of verification to audited accounts), Alpine provided a copy of its 'stock rebate' ledger, confirming the write-off in these months (part of Confidential Attachment CTMS 3).

Alpine submitted that this cost should thus be reversed from its total HRC purchases for the investigation period, noting that this had already been performed within the manufacturing statement figures (see above). We consider this to be reasonable, and have accepted this approach in calculating HRC costs.

Further to the above, Alpine explained that a revised rebate scheme was in place with [redacted] prior to and during the investigation period, which Alpine referred to as a 'quantity discount' scheme.

Alpine advised that, during the investigation period, [redacted] provided a rebate to Alpine where it ordered above a certain quantity of HRC. Alpine explained that the level of discount and the level of quantity to reach in order to receive this discount vary month to month depending on [redacted] position.

Alpine explained that, unlike the previous rebate situation, [redacted] now regularly credits the discount accrued (generally on a monthly basis).

As discussed above, Alpine explained that this discount has already been deducted from the price of HRC within its manufacturing statement and formed part of its reconciliation between its HRC purchases ledger to the manufacturing statement. Alpine also provided a copy of a credit note from [redacted] to display the quantity discount being credited for April 2011 (part of Confidential Attachment CTMS 3) and we sighted the credit notes showing the credit of this discount for both May and June 2011.

We are satisfied that Alpine is credited rebates on a regular basis from [redacted] in relation to HRC purchased from that supplier, and that it is reasonable to deduct this rebate/discount amount from the total HRC costs of Alpine within our calculations.

[7] Due to changed documentation requirements in the application for the credit of accrued rebates.

Summary

To summarise the above, the raw materials (HRC) calculation for Alpine, once revised, is as follows:

$$\frac{\text{Revised cost of HRC}^{8} - \text{revenue for scrap/downgrade} + \text{value of wrongly-posted HRC sales}}{\text{Production volume of forming, shearing and RPMS}}$$

6.3.2 Direct labour

Alpine submitted its domestic direct labour costs in MYR/T for HSS to be:

- the total direct labour from the manufacturing statement;
- minus wages of contractors for 'container stuffing charges' (which Alpine submitted relate solely to the packing of shipping containers for export to Australia and other destinations);
- divided by the production tonnes of all products excluding downgrade and scrap.

To calculate Australian direct labour costs, Alpine re-entered the cost of container stuffing charges calculated for Australia. Container stuffing charges are the subject of an adjustment, discussed further in Chapter 8 (verification of this stuffing amount is discussed in this chapter).

We traced total direct labour costs within the manufacturing statement to the total in the CTM spreadsheet. We verified the amount of stuffing charges removed from the total pool of direct labour costs (see Chapter 8).

Production tonnes used

As noted above, Alpine submitted that RPMS has lower non-HRC CTM elements than forming and shearing, including direct labour costs, as the production process is simpler and shorter. We note this is also the case for servicing.

However, during verification, Alpine was not able to quantify this difference in costs. Consequently, so as to not dilute the cost of the goods in the CTMS calculations, we consider it reasonable to only apportion the direct labour (and other CTM elements to the production volume of forming and shearing products only, excluding warehousing – discussed below). We have therefore used only the production tonnes total of forming and shearing products to arrive at a MYR/T cost for direct labour.[9]

6.3.3 Direct expenses

Alpine submitted its direct expenses in MYR/T for HSS to be:

- total direct expenses from the manufacturing statement;
- minus

[8] From the manufacturing statement (purchases plus 'stock rebates' amount (write-off of previous rebates) and minus quantity discounts).

[9] As mentioned above (Section 6.3.1), we consider that the volume of scrap/downgrade produced should also not be included in the tonnes that direct labour and other CTM elements are apportioned to.

  - [redacted]% of water and electricity costs which were allocated to the warehouse (based on Alpine's estimates);
  - the total cost of outsourced hot-dipped galvanising;
  - the total cost of subcontractor wages for painting;
  - total cost of paint purchases; and
  - total cost of depreciation for the painting line
- divided by the production tonnes of all products excluding downgrade and scrap.

Alpine explained it had removed the galvanising and painting costs to arrive at a cost to make black (unfinished) HSS, and removed the [redacted]% estimate of water and electricity to more accurately calculate warehousing, which was included as a separate cost category (see Section 6.3.5).

We observed that in the CTM calculations:

- the cost of painting was then added to Australian CTM, as discussed in Section 6.3.6 below (verification of these costs is also discussed in this section);
- the cost of warehousing water and electricity ([redacted]% of total) was re-included in the CTM as a separate cost category (see Section 6.3.5); and
- the cost of galvanising is re-entered when calculating a CTMS for galvanised product (see Section 6.3.7).

We consider this to be a reasonable approach to calculating the relevant CTM elements.

We traced total direct expenses costs within the manufacturing statement to the total in the CTM spreadsheet.

We sought to verify the June 2011 quarter water and electricity direct expense total and obtained ledgers for that period for:

- electricity (ADM);
- electricity (PAD); and
- water.

We reconciled these to the total water and electricity expense for that period within the CTM spreadsheet.

We collected a copy of the electricity invoice and internal payment voucher for April 2011, which reconciled to the ledger provided.

These documents form **Confidential Attachment CTMS 7**.

We also sought to verify the total cost of outsourced hot-dipped galvanising (removed from the pool of direct labour costs). Alpine provided a ledger for the June 2011 quarter for this outsourced galvanising, which directly reconciled to the amount for that period within the CTM spreadsheet. This ledger forms **Confidential Attachment CTMS 8**.

For reasons discussed in Section 6.3.2, we consider it more reasonable to apportion the pool of direct expenses over the production of forming and shearing only. We have amended Alpine's calculations to reflect this.

6.3.4 Indirect expenses

Alpine submitted its indirect expenses (Australian and domestic) in MYR/T for HSS to be:

- total indirect expenses from the manufacturing statement;
- minus warehousing expenses (total salaries and wages for warehouse staff, factory rental and upkeep of the factory apportioned to finished goods and raw materials – re-included as a separate CTM category, see 6.3.5 below);
- divided by the production tonnes of all products excluding downgrade and scrap.

We traced total indirect expenses costs within the manufacturing statement to the total in the CTM spreadsheet.

We sought to further verify the costs for plant and machinery depreciation for the June 2011 quarter in the CTM spreadsheet.

Alpine provided a download of its plant and machinery fixed assets schedules for that quarter, which included a summary sheet of the various deprecation of these assets (**Confidential Attachment CTMS 9**). The total depreciation of these assets for the quarter reconciled with the CTM spreadsheet.

For reasons discussed in Section 6.3.2, we consider it more reasonable to apportion the pool of indirect expenses over the production of forming and shearing only. We have amended Alpine's calculations to reflect this.

6.3.5 Warehousing costs

Alpine submitted its warehousing costs for Australia and domestic HSS to be:

- [redacted]% of water and electricity costs (see Section 6.3.3);
- the total cost of salaries and wages for staff performing warehousing functions (see Section 6.3.4);
- the cost of factory rental and upkeep of the factory apportioned to finished goods and raw materials (based on total square feet of finished goods and raw materials/total square feet of the factory); and
- the cost of general insurance for the warehouse (apportioned to the warehouse based on total square feet of finished goods and raw materials/total square feet of the factory)

apportioned to domestic, Australia and other export markets by tonnes of stock balance at the end of each quarter.

Alpine performed these calculations within a 'Whse(R)' spreadsheet within its CTMS workbook (Confidential Appendix 2).

As discussed in sections above, the totals of these costs prior to their apportionment (on square footage or [redacted].% estimate) were traced to the manufacturing statement. In the case of general insurance, this was traced to the income statement, where it was recorded as a selling (marketing) expense.

We observed that the general insurance expense used in the warehouse calculations is deducted from the CTS selling (marketing) expenses in the CTS calculations – see Section 6.4.3. Further, the balance of factory rental, upkeep and the cost of general insurance remained in the direct expenses calculation.

We observed that Alpine's method of apportioning the costs between domestic, Australian and other export markets appeared to include a calculation error, but in any case considered that it was more reasonable to apportion these costs (based on production volume by quarter for all products except scrap/downgrade, as these products will all use the warehouse facility).

6.3.6 Painting costs and depreciation of the painting line

As discussed in Section 6.3.3, direct expenses were reduced by:

- the total cost of subcontractor wages for painting (Alpine explained that painting was wholly done by subcontractors);
- total cost of paint purchases; and
- total cost of depreciation for the painting line.

Alpine used these costs to arrive at a painted cost in MYR/T[10] and included these costs only in CTMS for Australia, as HSS sold domestically are not painted (primarily back with some pre-galvanised) to arrive at a painted CTM for Australia.

Subcontracted painting labour and paint purchases

Alpine submitted that paint purchases and subcontracted painting labour be calculated as the total cost of paint and painting labour divided by the total painted quantity. It performed these calculations within a 'Painting&CL' spreadsheet within its CTMS workbook (Confidential Appendix 2). This spreadsheet presented painting labour costs and painting purchases into each month of the investigation period.

We observed that the total paint costs in the Painting&CL sheet reconciled with the total paint costs in the CTM spreadsheet (removed from direct expenses), which itself matches the total paint cost within the manufacturing statement.

We noted that the cost of painting labour in the Painting&CL spreadsheet matched the costs deducted from direct expenses in the CTM workbook. Alpine demonstrated how these labour costs were arrived at for the June 2011 quarter by providing a ledger of direct labour – wages (contract) and identifying which expenses within that ledger related to painting (contracted labour also used for other functions).

Alpine further provided invoices from the contracted labour company identifying painting labour for the month of April 2011, and the volume of product painted by those workers in that period (**Confidential Attachment CTMS 10**). The volume of painted product and the cost of the labour services in these invoices matched the Painting&CL spreadsheet.

We are therefore satisfied that the painting wages, paint costs and painted volume within the Painting&CL spreadsheet are complete and accurate.

[10] Separately for painting costs and depreciation for the painting line

We also consider Alpine's apportionment of these costs by painted volume to be reasonable.

Depreciation of the painting line

To calculate depreciation for the painting line, Alpine identified the depreciation specifically for the painting line within its plant and machinery assets schedule (Confidential Attachment CTMS 9) and divided this by the total volume of painted product (verified in the Painting&CL spreadsheet).

We traced the painting line deprecation to the depreciation schedule, and are satisfied that this is a reasonable allocation of these costs.

6.3.7 Galvanising

HDG Costs

Within its 'Unit Costs – Summary' sheet, Alpine included a unit cost to hot-dip galvanise HSS to be added to the submitted black CTMS and arrive at a HDG CTMS (GI group of products).

Alpine submitted this cost to be the total cost of outsourced galvanising (verified in Section 6.3.3) divided by the total sales volume for the investigation period.

We consider this to be inaccurate and should be apportioned only by sales of HDG HSS during the investigation period. We have made this amendment to Alpine's CTMS.

Pre-galvanised costs

To conduct our calculations, we also needed to arrive at a CTMS for pre-galvanised (product code PZ) HSS made from pre-galvanised HRC.

Alpine submitted that pre-galvanised coil is roughly the same cost as HRC it purchases.

To verify this, Alpine provided a 'Purchases raw material' spreadsheet for the investigation period that summarised purchase volume and value of:

- HRC
- cold-rolled coil; and
- pre-galvanised (pre-zinc) HRC

over the investigation period. This spreadsheet forms **Confidential Attachment CTMS 14**).

To verify the purchase volumes and values within this listing, we sighted all purchase invoices for pre-galvanised HSS for the period, and observed these reconciled to the totals within the provided spreadsheet.

We observed that this listing showed that Alpine only purchased pre-zinc HRC during two months of the period. We also observed that the listing showed on a weighted

average for the entire investigation period, pre-galvanised coil was [redacted] MYR/T cheaper than ungalvanised coil.

However, we consider it more reasonable to compare the cost of pre-galvanised coil in the one quarter it was purchased with the weighted average cost of HRC in that quarter. This comparison shows that pre-galvanised HRC was purchased at a weighted average price that was [redacted] MYR/T higher than the weighted average purchase price of HRC for that period.

We have applied this [redacted] MYR/T cost to the domestic CTMS calculations for black HSS to arrive at a pre-galvanised HSS cost for the purposes of our calculations.

6.4 Costs to sell (CTS) - verification to source documents

6.4.1 Personnel costs

Within its calculations, Alpine split its personnel costs into sales and marketing and administrative personnel. These were calculated within Alpine's 'Workings' spreadsheet as a MYR/T amount for each category, then summed within its CTS spreadsheet (that feeds to the 'Unit Costs – Summary' sheet).

Sales and marketing personnel costs

Alpine submitted that sales and marketing personnel be calculated as the total cost for sales and marketing personnel allocated between the split of domestic to export sale and marketing staff ([redacted]), then allocated based on sales volume to Australia, other countries and domestic customers.

We traced the total sales and marketing personnel costs in the Workings sheet to Alpine's income statement.

We queried the allocation of these costs based on the split between domestic and export staff, and were not satisfied that it could be demonstrated that these staff exclusively perform export or domestic work.

We have re-allocated these costs to be the total sales and marketing personnel costs divided by total sales volume of all products for the investigation period[11] (including scrap and downgrade, as we consider all products incur selling costs).

Administrative personnel costs

Alpine submitted its administrative personnel costs should be calculated as:

- the total costs of administrative personnel divided by the total sales volume of the investigation period (all products);
- apportioned by the sales volume of domestic sales, sales to Australia and other exports.

We traced all administrative personnel costs from the Workings sheet to Alpine's income statement.

[11] The verification of which is discussed in Chapter 7 of this report.

We consider that the final step of apportioning the already weighted-average costs per tonne across sales to different markets to be inaccurate. We have re-allocated these costs to be the total administrative personnel costs divided by total sales volume of all products for the investigation period.

6.4.2 Administration costs

Alpine submitted its administrative CTS for sales to Australia should be calculated as:

- the total of all administrative costs;
- minus expenses 'strictly for domestic only' (including hotel accommodation, road tax and motor vehicle depreciation, which were allocated across only domestic sales volume in the 'Workings' spreadsheet);
- divided by the total sales volume of all products during the investigation period.

To arrive at administration costs for domestic products, Alpine then summed the above amount with the unit cost of expenses 'strictly for domestic only' calculated in the 'Workings' sheet.

We traced all administration costs (including those identified as domestic only) to Alpine's income statement.

We considered that we could not be satisfied that those costs allocated strictly to domestic sales could be demonstrated to be only incurred in relation to these sales.

We re-allocated the total administration costs including these domestic-only expenses across total sales volume for the period to arrive at an administration cost in MYR/T.

6.4.3 Selling costs ('marketing' costs)

Alpine submitted that its domestic selling costs should be calculated as:

- total selling costs;[12]
- minus
  - an 'export portion' (export marine insurance, export insurance (export credit insurance [redacted]% of printing and stationary costs), and sales commission (excluding Singapore);
  - general insurance allocated to the warehouse (discussed in Section 6.3.5);
- divided by the total sales volume during the investigation period.

To arrive at a cost for exports to Australia, Alpine summed the above MYR/T amount for domestic selling costs to:

- the cost of export credit insurance (total divided by export volume to Australia only as Alpine submitted this only applied to Australia);
- the cost of printing and stationary ([redacted]% of the total – the rest being allocated to Singapore) divided by the total export volume;
- the commission for Australia and other export destinations excluding Singapore (calculated in a separate spreadsheet entitled 'Comm').

[12] Identified as 'marketing costs within the income statement

We traced the total selling expenses within the CTS workbook to the income statement.

Export marine insurance

Alpine explained that export marine insurance did not apply to Australia (all sold at FOB) and thus was not included in the calculation of selling costs to Australia. We considered it reasonable to remove this from domestic and Australian selling costs.

Export credit insurance

Export credit insurance (applicable only to Australia) is the subject of later adjustment claim and is discussed within Chapter 8 of this report (verification discussed in that Chapter).

We consider it reasonable to isolate this cost within the selling costs calculation and allocate it solely to Australia and have accepted Alpine's approach.

Printing and stationary

Alpine was not able to establish why printing and stationary should be afforded different treatment (i.e. why it applied to exported goods and in the proportion allocated). We therefore re-included printing and stationary in the total cost pool used to determine selling costs to the domestic level.

Sales commission

Sales commission is the subject of later adjustment claim and is discussed within Chapter 8 of this report. However, verification of commission is discussed below.

Within a 'Comm' workings spreadsheet, Alpine listed total sales commissions by month for:

- domestic sales;
- sales to Singapore;
- exports to countries other than Singapore and Australia; and
- sales to Australia.

Alpine explained that commissions to Australia and other export destinations (excluding Singapore) were in fact 'incentives' while sales to Singapore and domestic sales were like traditional 'commissions', which equate to [redacted]% of sales value.

These total commission amounts were divided by sales volumes for the entire investigation period for each market.

We observed that commission amounts were not included in this spreadsheet for exports to countries other than Australia and Singapore, and for exports to Australia, for the months of July – November 2010. Alpine explained that this was because commissions were paid several months after sales are made, and that commissions paid in these months were for sales outside the investigation period.

We consider that this therefore means that the commission amounts for these markets reported within the Comm spreadsheet should be more accurately

apportioned over sales for the months of December 2010 – June 2011 to arrive at a more reasonable allocation. We have made this amendment.

To verify the values in the 'Comm' spreadsheet, Alpine provided a commission paid listing for April 2011 for sales to Singapore, in Singapore Dollars (SGD). Alpine provided the conversion from SGD to MYR Once converted, this listing reconciled with the MYR amount within the Comm spreadsheet for that month.

Further, Alpine provided a listing of domestic sales commissions and commissions for sales to Australia paid to individual staff members by sales invoice for the month of January 2011 (for August 2010 sales). This listing reconciled with the amounts recorded in the Comm spreadsheet.

These documents form **Confidential Attachment CTMS 11**.

Following our re-allocation on lower sales volumes, we are satisfied that the unit commission costs within the 'Comm' spreadsheet accurately reflect the commission costs incurred for sales into each market during the investigation period.

However, as discussed above, in removing costs considered that Alpine considered applied only to exports (the 'Export portion'), the total pool of selling costs was only reduced by commissions to Australia and exports to countries other than Australia and Singapore.

We consider that the costs of commissions to Singapore should be removed from the costs pool in order to accurately arrive at domestic unit selling costs. This amendment has been made within the CTS calculations.

Warehouse (general) insurance

As discussed above, the amount for general insurance deducted from the selling CTS calculations was included by Alpine in its warehousing CTM unit costs. We consider this to be reasonable.

Summary

Following our amendments, the calculations for domestic and export to Australia CTS are summarised as follows.

Domestic unit selling cost:

Total selling expenses per income statement
- warehouse portion of general insurance
- revised 'export portion'[13]

Total sales volume

Exports to Australia unit selling cost:

Domestic unit selling cost (above)
+ unit Australian commissions
+ unit export credit insurance

[13] The 'export portion' has been revised to only export marine insurance (applicable to exports other than Australia); export credit insurance; and sales commissions for all except domestic sales.

6.4.4 Delivery

Alpine calculated domestic and Australian delivery costs separately within a 'Delivery' working spreadsheet (this feeds into the Unit Cost – Summary spreadsheet).

Domestic

Alpine submitted its domestic delivery costs to be the total cost of 'Carriage outwards (Local)' and 'Freight – East Malaysia' from Alpine's investigation period income statement divided by total tonnes of domestic sales.
Alpine explained that these amounts within its income statement relate specifically to domestic sales only.

We observed that the total of these expenses used within the 'Delivery' spreadsheet reconciled to the income statement.

We consider this to be a reasonable method of calculation of domestic delivery.

Australia

Alpine calculated delivery to Australia as:

- the total cost of 'Carriage outwards (Export)' and 'Freight forwarding – export' from Alpine's income statement;
- apportioned between Australia or other export destinations by calculating the estimated total cost to Australia (splitting the total volume of sales to Australia by break-bulk or containerised shipments,[14] estimating the cost for containerise shipments, then adding the cost of containerised shipments to the total cost of break-bulk shipments); and
- dividing the total estimated cost to Australia by sales volume to Australia.

We verified the amounts for the 'Carriage outwards (Export)' and 'Freight forwarding – export' to Alpine's income statement.

We verified the volume of break-bulk shipments for the month of April 2011 within the 'Breakbulk' spreadsheet to an Australian exports statement for that month that identified sales as containerised and break-bulk (including shipped volume). This statement forms **Confidential Attachment CTMS 12**.

We observed that Alpine estimated the cost of containerised shipments to Australia by estimating the number of containers sent then multiplying this amount by averages of standard charges incurred for containerised shipments, namely:

- terminal handling charges;
- container haulage charges;
- forwarding fees;
- bill of lading fees; and
- documentation/SMK/EDI fees.

[14] Alpine was able to identify monthly total volume and per shipment cost of break-bulk shipments to Australia during the investigation period in a separate 'Breakbulk' spreadsheet.

To verify these estimates, we selected 5 containerised shipments within our export sales selection. Alpine provided invoices from its freight and port charges providers for each of these shipments **Confidential Attachment CTMS 13**).

Using the actual charges on these invoices, we calculated our own averages for each of the above-listed charges, revising Alpine's averages. In doing so, we observed other minor charges on these invoices that applied to the selected shipments that we considered should also be included in these averages, and have included them in the calculation.

We note that Alpine provided multiple other invoices for export shipments to include in this averaging, but considered it sufficient to arrive at averages using only the 5 shipments originally selected.

6.4.5 Finance costs

Alpine submitted its finance costs in its CTS calculations relate to the cost of holding inventory, and tied this to its claim for an adjustment based on inventory carrying costs.

As such, Alpine originally submitted its finance costs are higher for domestic sales than for exports as domestic sales are made predominantly from stock while export sales are made to order and considered it should apportion costs based on stock turnover days.

We consider that, as an inventory carrying cost adjustment has been undertaken (see Section 9.2.8), the calculation of finance costs should not be apportioned in this way (to avoid a double-count of the carrying costs).

Furthermore, we were not satisfied during the verification with Alpine that these finance costs solely relate to the cost of carrying inventory, and consider that at least some of these costs would be more likely to relate to the general cost of doing business.

We have re-apportioned Alpine's finance costs over total sales volume.

6.5 Cost to make and sell - conclusion

After revising Alpine's CTMS data as discussed above, we are satisfied that the revised cost to make and sell data for Alpine provides a reasonably complete, relevant and an accurate account of actual production and selling costs of its export and domestic sales of HSS. We consider these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

Our revised CTMS calculations are at **Confidential Appendix 2**.

7 DOMESTIC SALES

7.1 Introduction

During the investigation period, Alpine made domestic sales of HSS to various customers (both related and unrelated) in black, HDG and pre-galvanised finishes in the following quantities (as per the revised sales listing):

Product code (classification and sub-classification	Tonnes
GI BP	
GI CS	
GI GS	
GI RH	
GI SH	
HR BP	
HR CH	
HR CS	
HR GS	
HR RH	
HR SH	
PZ BP	
PZ GS	
PZ RH	
PZ SH	
Grand Total	

Alpine explained that there is robust competition within the Malaysian HSS market, in which it faces competition from other domestic manufacturers and imports (especially Chinese imports).

Alpine advised that the majority of its domestic sales of HSS are made from stock, and that its ex-stock range of domestic HSS is essentially the same as all other domestic manufacturers, but it may have a slightly larger ex-stock range. Alpine explained that some domestic sales are made to order, but these are generally the less-popular ranges of HSS. It stated that if a customer had specific requirements for HSS that is traditionally not ex-stock, and sales volumes warranted, it would hold stock for that customer.

Alpine noted that the domestic (and Singaporean) HSS markets demand short lead times on the range of HSS that is most common, hence the need to maintain a level of stock. Alpine explained that if it does not maintain a stock of for domestic sales, domestic (and Singaporean) customers will fail to place orders with Alpine and approach another supplier with the desired HSS available ex-stock.

Alpine stated that the standard lengths for the domestic market were six and 12 metres and that in the majority of cases this stock was not suitable for sale to its Australian customers (with the Australian standard length for HSS being 6.5m and occasionally 8m).

During our factory inspection we noted that a large proportion of stock on hand was held for domestic customers.

Alpine advised that, in terms of HDG HSS (which is always pipe (CHS)), it manufactures the black HSS itself then out-sources the hot-dip galvanising (HDG) of the pipe to an external unrelated party.

As discussed in Section 3.3, Alpine provided a sales listing at the verification (Confidential Attachment GEN 1) that identified all domestic sales of HSS during the investigation period.

7.2 Domestic sales process

Alpine explained its domestic sales process as follows:

- customers will contact Alpine and ask for a price, which Alpine will provide (over the phone, email or fax);
- if the offer is accepted by the customer, Alpine will draft a purchase order and send this to the customer;
- at the time of raising a purchase order, Alpine will enter a 'sales job order' into its system;
- the order is filled from stock (in cases where it must be made to order, the job is entered into the rolling schedule and made in the same way as an Australian sale);
- the filled order is delivered to the domestic customer;
- at the time of despatch, a delivery order and invoice are generated for the customer;
- the customer then pays the invoice according to agreed terms.

7.3 Domestic sales terms

All of Alpine's domestic sales are made at the free-into-store (FIS) level, except for sales to East Malaysia, which travel ocean freight at cost, insurance and freight (CIF) terms.

Within its original sales listing,[15] Alpine indicated that domestic credit terms ranged from letter of credit to a maximum of [redacted] days from the end of the invoiced month. In reality, Alpine estimated this to be closer to [redacted] days. Credit terms are the subject of an adjustment claim discussed in more detail in Chapter 8.

7.4 Price

Alpine advised that it maintains a domestic price list that had been developed several years ago (provided as **Confidential Attachment DOM 1**).

This price list shows HSS prices per 6m length, and per metric tonne, varying depending on size, shape and thickness.

Despite the existence of this price list, Alpine explained that products are not sold at this list price, but that the list price operates as a base price within its sales system, and that prices are in fact calculated based on cost to make and sell plus margin, with the margin determined with reference to the customer's level of trade, method of payment, whether the items are ex-stock, and the volume of sales to that customer.

[15] Credit terms were not included in the revised sales listing (Confidential Attachment GEN 1), however credit terms were quantified separately for the purposes of an adjustment (see Chapter 8).

Alpine explained that, when a price is quoted and entered into its system, the list price is reduced by a discount amount (visible on the invoice) to reduce the list price to the negotiated amount.

Alpine demonstrated how this discounting process worked with reference to the invoices for selected domestic sales (see Section 7.7).

We observed that Alpine's entire range of HSS was not included in the price list provided. Alpine explained that the price list was developed many years ago before its range expended, and that for sales of HSS not included in the price list, the negotiated price is entered directly into its sales system when the sales job order is generated.

7.5 Discounts and rebates, credit and debit notes

Alpine stated that it provided no discounts or rebates to its customers during the investigation other than the above-mentioned discounts to arrive at the correct price from the price list, settlement discounts for early payment and transport rebates (excluding the theoretical discount off the list price to arrive at the negotiated price).

Alpine explained that transport rebates were provided for when the customer picked up the goods and were accounted for on the sales invoices, as goods are usually sold at FIS.

In the case of early payment discounts, Alpine explained that these do not appear on invoices, and are sporadically accessed by customers with credit terms, often when Alpine calls customers with outstanding accounts and offer discounts for payment of these accounts for Alpine's own cash flow reasons.

Alpine explained that customers will avail themselves of this discount by short-paying the invoice by the early payment discount amount. Alpine explained that this short-paid amount is accounted for in its system by the issuance of a credit note which is not in fact a true credit note but rather a system adjustment for the discount amount.

Alpine explained that, in addition to credit notes for the early settlement discount, its system also records 'true' credit and debit notes for returns, price adjustments, etc.

Alpine explained that its accounting system does not record credit notes (both 'true' and settlement discounts) against relevant invoice numbers or line items, so it was not possible to match these discounts and credit notes against the sales they refer to.

Alpine explained that the sales listing provided (Confidential Attachment GEN 1) therefore only lists the invoiced price of items sold and does not take into account credit or debit notes.

During the verification, Alpine provided a revised complete listing of all credit and debit notes (including 'actual' credit notes (e.g. returns, price adjustments, etc) and settlement discount credit notes), which included information as to which country the credit note related to (the originally-provided listing did not identify which country the credit note related to). This forms **Confidential Attachment DOM 2**.

To verify that the listing of credit and debit notes correctly identified which country the note referred to, we selected two transactions from the listing that were identified as Malaysian credit notes, which Alpine provided the credit notes for (**Confidential**

Attachment DOM 3). We observed from these credit notes were both for Malaysia customers.

Alpine explained it expected that the credit and debit notes (both 'true' and for early settlement discounts) should apply to HSS and non-HSS products equally.

We observed how the total amount of this credit and debit notes listing fed into the upwards reconciliation of sales (see Section 7.7).

Treatment of Australian credit notes

We examined the credit note listing and observed that:

- no Australian customer accessed early settlement discounts in the investigation period; and
- only two debit notes were received by Australian customers for minor amounts during the investigation period.

We consider that we do not need to take account of these debit notes in relation to sales to Australia due to the fact that:

Their value is too small to make any difference in a price adjustment; and
They relate to container stuffing charges in any case, which is subject to a separate adjustment (see Chapter 9).

Treatment of domestic credit notes

We observed from the credit and debit note listing that there was no clear way to allocate them to invoices or products within the provided sales listing.

However, we observed that the multiple names of customers within the credit and debit note listing matched the names of customers within the sales listing that purchased HSS during the investigation period. We consider it reasonable to determine that HSS therefore was in receipt of these discounts and credit and debit notes in the investigation period. We also consider it reasonable to determine that these credit and debit notes applied equally to HSS and non-HSS products.

We have amended all domestic sales of HSS within the sales listing to a true 'net' invoiced price by allocating the portion of credit and debit notes that were applicable to Malaysian sales during the investigation period across sales value for the period.

This reduced domestic selling prices by an average of [redacted]%.

7.6 Level of trade

Alpine submitted that the vast majority of its domestic sales of HSS are one of two levels of trade:

- end users (engineering and fabricator, manufacturer, furniture); and
- stockists (hardware dealers, trading services and water, etc).

Alpine explained that the level of trade of its customers will impact on the price of HSS sold and estimated that stockists will generally receive a [redacted] than end users. Alpine observed that these domestic levels of trade differ to the level of trade

of Australian customers (traders), but considered that an adjustment was not warranted on this basis.

From our analysis of Alpine's sales data, we could not identify any observable trend to confirm the impact of price by level of trade. We have therefore used all domestic sales of like goods in our analysis.

7.7 Verification of domestic sales data

Tracing domestic and export sales to audited financial statements

The revised sales listing provided at verification (Confidential Attachment GEN 1) contained all sales, both HSS ('GUC'), other products ('non-GUC'), Australian sales, domestic sales, and other exports.

This listing therefore easily isolates sales of HSS in each market for use in our calculations through filtering on whether goods are considered 'GUC' or 'non-GUS' and then on their destination market.

We examined Alpine's classification of whether each line item in the sales listing was 'GUC' or 'non-GUC' with reference to the products classification and dimensions. We consider Alpine's assessment as to whether goods are HSS or not to be accurate from this examination.

We traced the total sales amount from the sales listing (all products) to Alpine's provided income statement for the investigation period (see Section 6.2) and noted a minor discrepancy of less than 0.08%. To resolve this discrepancy, Alpine provided a reconciliation spreadsheet which demonstrated how the sales listing matched exactly to the investigation period income statement by:

- subtracting the totals of the credit and debit note listing (Confidential Attachment DOM 2);
- adding the forex gain for the period;
- subtracting the revenue for wrongly-posted HRC sales (see Section 6.3.1); and
- adding a small amount of revenue for 'other charges'.

This reconciliation sheet forms **Confidential Attachment DOM 4**.

We were then able to reconcile the income statement for the investigation period to Alpine's 2011 audited accounts (August 2010 – July 2011) by:

- subtracting the net revenue for July 2010 in the income statement provided from that month from the total revenue for the income statement for the period; then
- adding the net revenue for July 2011 to this amount.

Having regard to the above, we are satisfied that Alpine's revised sales spreadsheets can be filtered to arrive at complete and relevant listings of its domestic and export (to Australia) sales of HSS in the investigation period.

Tracing domestic and export sales data to source documents

Prior to the visit, we selected 7 domestic invoices from the sales listing provided in Alpine's REQ, and 3 credit notes (within a credit and debit note listing provided with

the REQ) and advised Alpine that we required source documents in relation to each of those transactions.

At the visit, Alpine provided copies of the invoices, credit notes, delivery orders, and evidence of payment in relation to each selected transaction. These documents are at **Confidential Attachment DOM 5**.

We traced the invoice details to the sales data spreadsheets and noted no discrepancies.

We traced the credit note details to the credit and debit note listing and noted no discrepancies.

As with export sales, we noted the invoices only showed the volume in numbers of pieces and not in weight. We confirmed sales volumes in weight in the spreadsheet, we followed the same process as for export sales (see Section 5.5).

During the verification, we noticed some domestic sales with unusually high unit prices and unusually low unit prices. We requested invoices to verify these outliers. These showed the following:

- [redacted], with a high unit price was for a very small quantity of non-stock HSS, and hence was correctly invoiced at a high unit price;
- [redacted], with a low unit price, was incorrectly invoiced and a debit note raised against it (debit note provided(;
- [redacted], with a high unit price, was over-charged and a credit note raised (credit note provided); and
- [redacted], with a very low unit price, was incorrectly charged and had not been picked up by Alpine (Alpine advised it would seek to recover the difference from its customer).

These documents form **Confidential Attachment DOM 6**.

We considered these to be reasonable outliers and noted all but one (which was an extreme outlier) had been corrected by a credit or debit note (which we have apportioned equally across sales – see Section 7.5). We consider the very low unit price sale should be removed from analysis and have made this amendment to the sales listing.

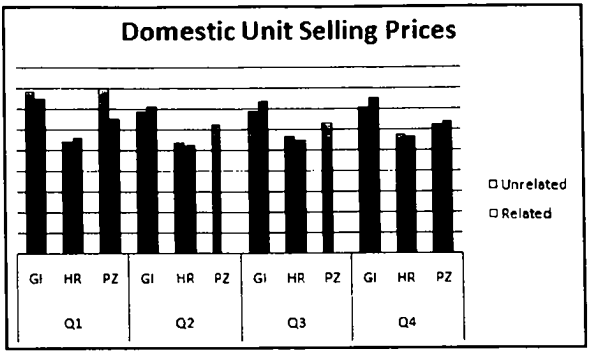
We are satisfied that the domestic sales of HSS within the sales listing spreadsheet (amended for credit and debit notes and removing one extreme outlier transaction) accurately reflects Alpine's HSS domestic sales during the investigation period.

7.8 Arms length

As discussed in Section 3.4, Alpine made sales of HSS to related parties during the investigation period, these are identifiable in the sales listing.

From the sales listing, we observed that approximately [redacted] of domestic sales of HSS in the investigation period were to related parties.

We have compared the weighted average selling prices to related and unrelated parties in the below table.



We observe that there appears to be no pricing trend to distinguish sales of HSS to related or unrelated parties within the investigation period. In some quarters and models, sales to related parties were lower on weighted average, but in other quarters they were higher.

After examining sales information provided by Alpine, the sales documentation in respect of the randomly selected domestic sales, and other material during our visit, we found no evidence to suggest that:

- there was any consideration payable for, or in respect of, the goods other than their price;
- 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, would, 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.

Based on the evidence available we are satisfied that domestic sales of HSS by Alpine during the investigation were arms length transactions.

7.9 Ordinary course of trade

We sought to identify which domestic sales of like goods were made in the ordinary course of trade (OCOT) for use in normal values under s.269TAC() of the Act.

In order to test the profitability of Alpine's domestic sales, we compared the unit (per tonne) net sale price[16] of each individual domestic sale of HSS by product code and thickness with the corresponding quarterly weighted average unit CTMS for each finish (as amended within the Confidential Appendix 2 CTMS spreadsheet).

For those transactions calculated as being sold at a loss, we tested whether the sales were recoverable, by comparing the unit net sales price with the investigation period weighted average unit CTMS for each finish.

[16] Post credit note/debit note correction

PUBLIC RECORD

The table below shows the volume of sales calculated as being unprofitable and non-recoverable.

Product code and thickness	Volume not recoverable (T)	Total Domestic Sales (T)	% not recoverable	Volume in OCOT (T)
HR BP	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Note: HDG HSS (product classification 'GI') has not been included in this analysis as there were no sales of HDG HSS to Australia during the investigation period and is not considered suitable for use in normal values.

We found that non-recoverable sales represented greater than 20% of the volume for all those product group/thickness combinations marked in the red colour in the above table. Consequently, we regard the non-recoverable sales as not being made in OCOT. As such, the non-recoverable sales have not been used in calculating normal values for those product code/thickness combinations.

For those product code/thickness combinations where recoverable sales were less than 20% of the volume (coloured green in the table above), all sales within that combination were considered as being made in OCOT and were used in calculating normal values for those product group/thickness combinations.

7.9.1 Sufficiency of sales

We then sought to determine whether there were sufficient domestic sales in OCOT for all exported product code/thickness combinations in the investigation period in order to calculate normal values under s.269TAC(1).

The table below shows this analysis.

Product Code	Thickness category	Quarter	Export volume (Kg)	Export volume (T) (period total)	Domestic sales in OCOT (T)	% Dom/Exp	Sufficient sales in OCOT?
HR BP	2mm to 2.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
	3mm to 8.99mm	Qtr 3	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 4	[redacted]				
HR GS	3mm to 8.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
HR RH	2mm to 2.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
	3mm to 8.99mm	Qtr 2	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 3	[redacted]				
		Qtr 4	[redacted]				
	9mm and above	Qtr 1	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 2	[redacted]				
		Qtr 4	[redacted]				
	less than 2mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
HR SH	2mm to 2.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
	3mm to 8.99mm	Qtr 2	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 3	[redacted]				
		Qtr 4	[redacted]				
	9mm and above	Qtr 1	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 2	[redacted]				
		Qtr 4	[redacted]				
	less than 2mm	Qtr 2	[redacted]	[redacted]	[redacted]	[redacted]	Yes
		Qtr 4	[redacted]				
PZ RH	2mm to 2.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	No
	3mm to 8.99mm	Qtr 4	[redacted]	[redacted]	[redacted]	[redacted]	Yes
PZ SH	3mm to 8.99mm	Qtr 3	[redacted]	[redacted]	[redacted]	[redacted]	No
		Qtr 4	[redacted]				

We found that there were domestic sales of product code/thickness combinations that were identical to exports in 12 of the 14 combinations exported. In these cases, we calculated whether the domestic sales volume of each combination that was sold domestically in sales that were in the ordinary course of trade were more than 5%. This was the case for all 12 of those 12 combinations.

For the 2 remaining product code/thickness combinations exported, which both were pre-galvanised HSS (PZ product classifications), we observed that there were sufficient domestic sales of black HSS of the same shape and thickness during the investigation period.

We considered it reasonable to arrive at normal values for these combinations by adjusting the domestic selling prices of these combinations for the physical characteristic of pre-galvanising (see Section 9.2.1).

Our profitability, OCOT and sufficiency of sales assessments are at **Confidential Appendix 3**.

8 THIRD COUNRY SALES

In its exporter questionnaire response Alpine provided a listing of their HSS export sales to third countries.

We consider that we have sufficient verified information from the submission and our visit to calculate normal values for HSS using domestic sales. As such we decided that verification of the third country sales data was not warranted.

9 ADJUSTMENTS

9.1 Matters raised by Alpine

The purpose of adjustments is to ensure a fair comparison at the same point as the export sales price.

The export sale price used in our analysis is at the FOB level for sales from Alpine to Australian importers.

Alpine provided information in relation to the following factors for consideration in the comparison of export and domestic sales:

- physical characteristics (painting);
- credit terms;
- inland transportation and FOB charges;
- export credit insurance;
- inventory carrying cost;
- warehousing expense; and
- commissions and incentives.

In addition, we identified container stuffing charges as potentially requiring an adjustment.

9.2 Consideration of adjustments

To ensure parity in any comparison between export and domestic prices a number of possible adjustments were considered for differences between domestic and export sales. The following addresses our consideration of each of the matters raised by Alpine and identified during our verification.

9.2.1 Physical characteristics (painting and galvanising)

Painting

Alpine does not sell painted HSS on the domestic market while HSS exported to Australia is painted.

As discussed in Section 6.3.6, Alpine calculated, and we verified, the per tonne painting cost of HSS during the investigation period.

We consider that, to arrive at an adjustment for painting costs that estimates the market value of the difference between black and painted HSS, we consider that a gross margin (based on recoverable domestic sales of black HSS) should also be added to the cost of painting.

We have calculated domestic selling prices for painted HSS by adjusting the domestic selling price of black HSS upwards for painting at the rate of [redacted] MYR/T. These calculations are within **Confidential Appendix 3**.

Galvanising

As discussed above, we did not find that there were sufficient domestic sales in the ordinary course of trade of two types of pre-galvanised HSS during the investigation

period. However, we considered it reasonable to adjust comparable sales of black HSS (same thickness and quarter) to account for the physical difference between black and pre-galvanised HSS.

As with the adjustment for painting, we consider that, to arrive at an adjustment for pre-galvanising costs that estimates the market value of the difference between black and pre-galvanised HSS, we consider that a gross margin (based on recoverable domestic sales of black HSS) should also be added to the cost of pre-galvanising.

We have calculated domestic selling prices for pre-galvanised HSS by adjusting the domestic selling price of black HSS upwards at the rate of [redacted] MYR/T. These calculations are within **Confidential Appendix 3**.

9.2.2 Inland transport and FOB charges

As discussed and verified in Section 6.4.4, Alpine calculated different delivery costs for domestic sales and sales to Australia in a 'Delivery' spreadsheet in its CTMS calculations. These calculations account for the difference in inland freight between Alpine's domestic customers (at FIS) and sales to Australia (delivered to the port at FOB, some containerised and others break-bulk).

We consider that the selling price for domestic sales be adjusted downwards for domestic inland transport expense at an average rate of [redacted] MYR/T.

We consider that the selling price for domestic sales be adjusted upwards for export inland transport and FOB charges by the rate of [redacted] MYR/T.

9.2.3 Container stuffing charges

Alpine explained that all finished goods are strapped into bundles and bundles of HSS for domestic sale are placed on trucks for delivery, whereas bundles of HSS for export to Australia are containerised in some case and sent break-bulk in others.

Alpine explained that there is no difference in the strapping for domestic and export sales, but export sales that are containerised incur a container stuffing charge. This charge reflects the sub-contracted labour cost of workers to stuff containers on Alpine's premises (which Alpine explained is only done by sub-contracted labourers).

As discussed in Section 6.3.2, this charge was accounted for by Alpine in its direct labour costs calculations. It was not included in Alpine's 'Delivery' calculations (discussed above).

Alpine re-entered this stuffing charge in MYR/T into direct labour costs for Australian CTM.

Alpine calculated this MYR/T stuffing charge within the CTMS spreadsheet (Confidential Appendix 2) in a separate 'Stuffing Cost' spreadsheet. In this spreadsheet, Alpine listed month-by month total stuffing charges to Australia and to third countries.

Alpine arrived at a stuffing cost to Australia in MYR/T by dividing the total Australian stuffing charges by the volume of goods exported to Australia in containers (verified in Section 6.4.4).

We tested the accuracy of the value of stuffing costs within this spreadsheet by selecting the month of May 2011, which Alpine provided the sub-contracted labour invoices for (**Confidential Attachment ADJ 1**). We observed that these invoices listed the details of stuffed containers, as well as their destinations.

We observed that the stuffing charges for May reconciled to the Stuffing Cost spreadsheet, and that only containers bound for Australia were included in this cost.

We consider that domestic selling prices should therefore be subject to an upwards adjustment of [redacted] MYR/T.

9.2.4 Commissions and incentives (domestic and export)

As discussed in Section 6.4.3, Alpine's domestic and export sales are both subject to different sales commissions/incentives.

Alpine provided calculations for these commissions in the 'Comm' spreadsheet of its submitted CTMS calculations. Verification of these commissions is discussed in Section 6.4.3.

We consider that the selling price for domestic sales be adjusted downwards for domestic commissions at an average rate of [redacted] MYR/T to account for domestic sales commission.

We consider that the selling price for domestic sales be adjusted upwards at an average rate of [redacted] MYR/T to account for export sales commissions.

9.2.5 Warehousing

Within its REQ and at the verification, Alpine claimed a difference in warehousing expenses between domestic sales and export sales. It stated that inventory for export turned over at a greater rate than inventory for domestic sales. Alpine calculated the cost of warehousing based on floor area to support its claim.

We considered that there was some overlap between Alpine's claim for a warehousing adjustment and an adjustment for inventory carrying costs, and noted it was unlikely that both would be accepted due to double-up.

Alpine instead focussed on the inventory carrying cost adjustment.

9.2.6 Export credit insurance

As discussed in Section 6.4.3, Alpine considered that export credit insurance is applicable only to Australian sales, as is reflected in its selling expenses (calculated within the CTMS spreadsheet – Confidential Appendix 2).

Alpine explained that this insurance relates only to the one Australian customer with credit terms [redacted]) and to no other customers.

To verify the total amount for export credit insurance within the CTMS spreadsheet (which we verified to the investigation period income statement), Alpine provided invoices from its insurer for the period July 2010 – October 2011. These invoices form **Confidential Attachment ADJ 2**.

We observed that these invoices related only to [redacted], and how these invoices arrived at the figure for the investigation period by pro-rating the amount for the period.

We consider that this adjustment should only apply to sales to [redacted], and have calculated an adjustment amount of [redacted] MYR/T for sales to [redacted], using the total amount of export credit insurance for the period over the total [redacted] sales volume. We consider that domestic selling prices for Alpine should be adjusted upwards at the rate of [redacted] MYR/T as a result.

9.2.7 Credit terms

Alpine submitted that its credit terms differ between domestic and export sales, and that an adjustment should be made to account for these differences.

We note that in the original domestic sales and export sales listing submitted by Alpine in its REQ, credit terms were provided on a line-by-line basis for each transaction. This information was not included in the revised sales listing (Confidential Attachment GEN 1).

Domestic credit

For domestic sales, Alpine's customers access a range of credit terms, which were listed in Alpine's domestic sales listing submitted in its REQ as being from letter of credit (effectively cash terms) to '[redacted] days'.

We observed that the credit terms listed on the invoices collected to verify domestic sales (within Confidential Attachment DOM 5) matched the terms reported in the REQ domestic sales listing.

At verification, Alpine explained that its domestic credit days invoiced to customers were in fact days from the end of the involved month (EOM) rather than from the invoice date.

Alpine further explained that many customers do not adhere to these terms in any case (particularly in relation to [redacted] days customers). Alpine noted that in the past, credit terms were [redacted] days EOM (which was common across domestic HSS manufacturers) but during the global financial crisis, Alpine and other manufacturers tightened these terms to [redacted] days EOM. Alpine noted that this did not have much practical effect, as domestic customers continued to avail themselves of [redacted] day terms.

To calculate the MYR/T cost of domestic credit, Alpine provided a 'Debtor Ageing' workbook, which listed:

- monthly accounts receivable balances for domestic, Australian, Singaporean and third country sales for Jul 2010 – July 2011; and
- monthly sales for the above period for each of these markets.

Alpine used these figures to calculate an average collection period of [redacted] days for domestic customers during the investigation period, and a MYR/T cost for credit on domestic sales using an average of short-term borrowing interest rates as recorded in Alpine's FY2011 audited accounts (calculated as [redacted] which we verified to these accounts).

We consider this average interest rate used to be reasonable, however considered that Alpine's calculations of the collection period to be inaccurate. We re-calculated this average domestic collection period within the 'Debtor Ageing' workbook, using the following formula:

$$\frac{\text{Total domestic sales for the investigation period}}{\text{Average accounts receivable balance}[17]}$$

The revised debtor ageing spreadsheet forms **Confidential Attachment ADJ 3.**

The above calculation arrived at an average collection days of [redacted] We note that, as the revised sales listing does not include line-by-line information as to the credit terms of sales, and there are multiple domestic customers accessing various different credit terms, it is reasonable to calculate the average collection days in this way (a different approach has been taken for export sales – see below).

We therefore consider that it is reasonable to make a downwards adjustment to the domestic selling prices to account for [redacted] days credit at [redacted]

Export credit

As stated in Section 5.3, one of Alpine's Australian customers ([redacted]) accessed credit terms during the investigation period of 60 days. As with export sales, these terms were included in the original export sales spreadsheet submitted by Alpine in its REQ but not in the revised sales listing collected during verification (Confidential Attachment GEN 1).

Alpine explained that these terms are again [redacted] days from the end of the invoiced month (roughly [redacted] days).

We observed that the credit terms listed on the invoices for selected domestic sales (part of Confidential Attachment EXP 4) matched those within Alpine's REQ original sales listing (for both [redacted] and other export customers that with cash terms). We also observed that the payment for the selected [redacted] sales were made consistently at [redacted] days from the end of the invoiced month (correlating Alpine's statement that export credit terms for [redacted] are more roughly [redacted] days).

We consider this to be sufficient evidence to determine that the average collection days for Australian sales should be considered to be:

- [redacted] days for [redacted]; and
- cash for all other Australian export customers.

We consider that it is reasonable to make an upwards adjustment within the normal value calculations to account for an average [redacted] days credit at [redacted]

We consider this to be sufficient evidence to determine that the average collection days for Australian sales should be considered to be:

- [redacted] days for [redacted]; and

[17] (Opening accounts receivable for the period + closing accounts receivable balance for the period) / 2

- cash for all other Australian export customers.

We consider that it is reasonable to make an upwards adjustment within the normal value calculations to account for an average [redacted] days credit at [redacted]

9.2.8 Inventory carrying costs

As discussed in Chapter 7, Alpine supplies the domestic market primarily from stock, but manufactures goods for export primarily to order.

During the verification, Alpine advised that it does incidentally carry some (minimal) stock that is exported to Australia, due to over-producing orders (a mill run may be larger than the order size, despite minimum order requirements).

Further, Alpine explained that goods for domestic and export sales to Australia are not interchangeable because, for example, the standard lengths required for the Australian (6.5m and occasionally 8m) market cannot generally be sold on the domestic market (6m and 12m length), and Australian HSS is generally painted while domestic HSS is generally black finish.

Consequently, Alpine submitted that an inventory carrying cost should be applied to account for the cost differences in holding inventory for domestic sales to Australian exports.

To support this adjustment, Alpine submitted a 'Stock Carrying Cost' workbook and a 'Finish Goods Jun 2011 Sort by Length' workbook.

The 'Finish Goods Jun 2011 Sort by Length' sought to demonstrate the volume and value of closing inventory of all products as at 30 June 2011 (the end of the investigation period) in the categories of Australian sales, Domestic Sales and Other Country Sales.

The 'Stock Carrying Cost' workbook used the volumes and values within the finished goods workbook to calculate Alpine's average stock turnover days and MYR/T inventory carrying cost for domestic goods and goods for export to Australia.

We examined the finished goods workbook and queried how Alpine had arrived at the split between different markets.

Alpine explained that it had been able to isolate Australian sales based on their unusual product length, but advised that a small volume of this would possibly be sold into other markets with the same length requirements (Papua New Guinea and NZ).

Alpine advised the 'Other Country' inventory within this workbook was identified as being destined for the USA, which was identified by the fact that these are sold in feet rather than meters.

Alpine advised that, therefore, all other sales (domestic, Singapore and all other countries such as Hong Kong and Indonesia) remained as the residual within the 'Domestic Sales' category. Alpine explained that, of these, inventory that could be sold to Singapore was treated effectively as domestic inventory, as the Singapore market operate as though it is part of the Malaysian market (same product

requirements, need to hold stock, etc). Alpine further explained that the remainder (other countries) would be minimal.

Alpine highlighted that the accuracy of the finished goods workbook could be checked to sales volumes. We have undertaken this assessment in the finished goods workbook, as summarised in the below table.

	Finished goods workbook % of total volume	Total % of sales volume for the IP (from sales listing)
Australia	[redacted]	[redacted]
Domestic	[redacted]	[redacted]
Other countries	[redacted]	[redacted]
Singapore	INCLUDED IN DOMESTIC TOTAL	[redacted]

The revised finished goods workbook is at **Confidential Attachment ADJ 4**.

Taking into consideration the above correlation between the finished goods percentages and the sales percentages from the sales listing, we consider the finished goods spreadsheet total for Australia to be reliable, and that the total for domestic inventory could reasonably be relied upon if corrected to reflect sales volume.

Consequently, we have adjusted the total domestic closing inventory volume and value used in the 'Stock Carrying Cost' workbook to reflect [redacted] of the total inventory volume at the end of the investigation period.

We examined Alpine's calculations within the 'Stock Carrying Cost' spreadsheet and considered them to be inaccurate. We revised the calculations, calculating inventory carrying costs separately for domestic and Australian inventory using the following formula:

(Average turnover period[18] / 365) X interest rate X unit cost to make

In these calculations, the same interest rate for short-term borrowing as was used to calculate credit terms is considered reasonable and has been adopted.

We consider that the selling price for domestic sales be adjusted downwards for average inventory carrying cost of [redacted] MYR/T.

We consider that the selling price for domestic sales be adjusted upwards by the average inventory carrying cost of [redacted] MYR/T.

These calculations have been made in the 'Stock Carrying Cost' workbook (**Confidential Attachment ADJ 5**).

9.3 Summary of adjustments

We are satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with s.269TAC(8), and we consider these adjustments are necessary to ensure a fair comparison of normal values and export prices:

[18] Total sales for investigation period for domestic sales or Australian sales / Closing inventory for domestic or Australia at 30 June 2011

Adjustment	Add to, or deduct from, domestic selling prices
Physical characteristic (painting or galvanising)	Add [redacted] to [redacted] MYR/T (painting) Add [redacted] MYR/T (galvanising)
Domestic inland freight	Deduct [redacted] MYR/T
Export Inland freight and FOB charges	Add [redacted] MYR/T
Container stuffing charge	Add [redacted] MYR/T
Domestic sales commissions	Deduct [redacted] MYR/T
Export sales commissions	Add [redacted] MYR/T
Export credit insurance	Add [redacted] MYR/T to normal values for [redacted] only
Domestic credit terms	Adjust normal values to deduct [redacted] days credit
Export credit terms	Adjust normal values for sales to [redacted] upwards for [redacted] days credit
Domestic inventory carrying cost	Deduct [redacted] MYR/T
Export inventory carrying cost	Add [redacted] MYR/T

10 NORMAL VALUE

We found sufficient volumes of domestic sales of HSS by Alpine that were arms length transactions and at prices that were in OCOT for all product code/thickness combinations excluding 2. The price paid for the goods in those domestic sales was established satisfactorily.

For the remaining 2 product code/thickness combinations, we found sufficient volumes of domestic sales in OCOT for a reasonably similar product code/thickness combination.

Based on the information provided by Alpine and the verification conducted on site we are satisfied that prices paid in respect of these domestic sales are suitable for assessing normal values under s. 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, we consider that certain adjustments, in accordance with s. 269TAC(8) of the Act, are necessary to ensure fair comparison of normal values with export prices. This includes an adjustment for physical differences (pre-galvanising) for the 2 product code/thickness combinations that we used similar product code/thickness combination normal values for.

Using the data verified we consider adjustments are warranted for the items discussed in the adjustments section of this report.

We calculated weighted average normal values separately by quarter, by product group, by thickness category.

Detailed normal value calculations, and summary normal values, are contained in **Confidential Appendix 4**.

11 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We compared the quarterly weighted average of export prices for each product code/thickness combination, for each quarter over the whole of the investigation period, with the corresponding quarterly weighted average normal values, over the whole of that period, in accordance with s. 269TACB(2)(a) of the Act.

The weighted average dumping margin for HSS exported to Australia by Alpine in the investigation period, was 3.03%.

Details of the Alpine dumping margin calculations are at **Confidential Appendix 5**.

12 APPENDICIES AND ATTACHMENTS

Confidential Appendices

Appendix 1	Alpine export price calculations
Appendix 2	Revised Alpine CTMS calculations
Appendix 2a	Calculation of painting and galvanising adjustments
Appendix 3	Profitability and ordinary course of trade assessment
Appendix 4	Alpine normal values
Appendix 5	Alpine preliminary dumping calculations

Confidential Attachments

General	
GEN 1	Revised sales listing (all products)
GEN 2	Invoices to confirm destination column in sales spreadsheet
GEN 3	Alpine audited financial statements FY2010 and FY2011
GEN 4	Hiap Teck Annual Report for 2011
GEN 5	June 2011 production documents – demonstrating theoretical and actual weight
GEN 6	Alpine product code listing
GEN 7	Alpine product brochure
Export sales to Australia	
EXP 1	Alpine email quotes to Australia customers
EXP 2	Alpine emails for periodic price offers
EXP 3	Process chart for ordering to delivery and billing
EXP 4	Source documents for selected export transactions
EXP 5	Extract from the Australian standard AS/NZS 1163:2009
EXP 6	Invoice showing unit prices for 350 and 450mpa
EXP 7	Three export sales invoices to test change in volumes from REQ to final sales listing.
EXP 8	Export sales debit notes
Costs	
CTMS 1	'Monthly Production Tonnage' spreadsheet
CTMS 2	June 2011 production documents, investigation period sales listings for scrap/downgrade, RPMS and servicing.
CTMS 3	HRC purchase ledgers, quantity discount and stock ledgers, and supporting HRC purchase invoices
CTMS 4	'monthly production RM' spreadsheet showing coils booked into production
CTMS 5	Supporting invoices and sales order notes for four wrongly-posted HRC purchases
CTMS 6	Rebate accrual/write-off demonstration spreadsheet.
CTMS 7	Electricity invoice and internal payment voucher for April 2011
CTMS 8	Ledger for the June 2011 quarter for outsourced galvanising

CTMS 9	Plant and machinery fixed assets schedules for June 2011 quarter
CTMS 10	Painting labour and volumes ledger and invoices
CTMS 11	Commission source documents package.
CTMS 12	Delivery charges invoices for 5 selected export sales and additional invoices provided by Alpine
CTMS 13	April 2011 Australian export shipping volume statement
CTMS 14	Galvanising coil costs spreadsheet
Domestic sales to Australia	
DOM 1	Domestic price list
DOM 2	Credit and debit note listing
DOM 3	Credit notes to test destination in credit and debit note listing
DOM 4	Sales reconciliation spreadsheet
DOM 5	Source documents for selected domestic transactions
DOM 6	Domestic sales outliers source documents
Adjustments	
ADJ 1	Container stuffing charges invoices – May 2011
ADJ 2	Insurer invoices for export credit insurance for July 2010 – October 2011
ADJ 3	Revised Debtor Ageing workbook – credit terms adjustment
ADJ 4	Revised finished goods workbook
ADJ 5	Stock Carrying Cost workbook