



CONTINUATION INQUIRY 488

**CONTINUATION INQUIRY OF
ANTI-DUMPING MEASURES ON
PREPARED OR PRESERVED TOMATOES
EXPORTED FROM
ITALY**

VISIT REPORT - EXPORTER

CALISPA S.P.A.

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

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1 BACKGROUND

On 16 July 2018, the Commissioner of the Anti-Dumping Commission gave public notice in Anti-Dumping Notice (ADN) No. 2018/106¹ of his decision to initiate an inquiry into whether the continuation of anti-dumping measures, in the form of a dumping duty notice, in respect of certain prepared or preserved tomatoes (the goods) exported to Australia from Italy by all exporters other than Feger di Gerardo Ferraioli S.p.A. (Feger) and La Doria S.p.A. (La Doria), is justified.

The application for anti-dumping measures, and a search of the Australian Border Force (ABF) import database, indicated that Calispa S.p.A. (Calispa) exported the goods to Australia from Italy during the period 1 July 2017 to 30 June 2018 (the inquiry period).

Following initiation of the inquiry, the Anti-Dumping Commission (the Commission) notified Calispa of the inquiry and sought its cooperation through the completion of an exporter questionnaire.

¹ Document number 2 on the [public record](#).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the review period, Calispa exported prepared or preserved tomatoes to Australia, including products that met the goods description (being prepared or preserved tomatoes in containers less than 1.14 litres). The goods exported to Australia:

- contained either long, round, cherry or San Marzano tomatoes, organic or otherwise;
- were either whole peeled or chopped;
- were only in labelled cans;
- had a net can weight of either 400g or 800g; and
- in some cases, contained herb ingredients or flavours.

2.2 Like goods sold on the domestic market

The verification team has found that with the exception of chopped tomatoes containing added herb ingredients, all other models of the goods exported to Australia were sold on the domestic market over the inquiry period. Further, Calispa sold some of these model types as unlabelled or 'bright cans' on the domestic market.

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

- have the same production process;
- are identical (until the addition of herbs or until labelled);
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Model matching

For the purposes of model matching, the verification team considers that it is appropriate to model match based on:

- tomato type (i.e. long or round, cherry, or San Marzano, organic or otherwise);
- the processing applied to the tomatoes (i.e. peeled, chopped);
- net can weight (i.e. 400g or 800g); and
- whether the can is bright or labelled.

The verification team included the characteristic of whether a can is bright or labelled in model matching Australian and domestic models. In analysing Calispa's domestic sales, the verification team found that there was a material difference in price between labelled cans and bright cans, such that this characteristic should be included in the model matching criteria.

2.4 Like goods – preliminary assessment

The verification team considers that tomatoes produced by Calispa for domestic sales have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).²

² References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to financial statements

The verification team verified the completeness and relevance of Calispa's Australian sales listing by reconciling it to unaudited financial statements and company tax returns³ in accordance with ADN. No 2016/30.

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

3.2 Verification of Australian sales to source documents

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

The matters arising from this process are detailed in the following sections of this report. Once the relevant revisions are made, the verification team considers the Australian sales listing provided by Calispa is accurate.

3.2.1 Evidence of payment

The verification team found that in some circumstances, payment for sales invoices had yet to be remitted by the Australian customer to Calispa. Therefore, alternative procedures were devised to validate the occurrence of Australian sales, such as a review of customer account receivables subsidiary ledgers and evaluating the regularity of customer payments. The verification team did not identify issues adopting these substitute procedures.

3.2.2 Credit terms

The verification team observed there to be inconsistencies in the payment days and the short term borrowing rate as per Calispa's Australian sales listing and the source documents examined. The verification team conducted more comprehensive accounts receivable analysis of Calispa's most significant Australian customers and its agreements with financial institutions to determine more appropriate credit terms to be applied to Australian sales.

The payment days and short term borrowing rate in the Australian sales listing prepared by Calispa have been altered by the verification team, applying the findings of its account receivable analysis.

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

³ As Calispa does not have audited financial statements, the verification team verified revenue in the unaudited financial statements to Calispa's tax returns.

3.2.3 Packaging costs

Owing to the functionality of Calispa's accounting and financial reporting systems, packaging costs could not be directly linked to a sale. Therefore, Calispa informed the verification team that it had applied a single unit packaging costs to all Australian sales by aggregating all relevant costs incurred for the goods under consideration and dividing the result by the quantity of the goods under consideration exported to Australia over the inquiry period.

The verification team considered Calispa's approach reasonable, however, identified that some of the costs assimilated in its packaging costs were labelling expenses which are a cost to make the product. As such, the verification team revised Calispa's unit packaging costs in respect of Australian sales by eliminating labelling expenses.

3.2.4 Inland transport and export handling costs

Owing to the functionality of Calispa's accounting and financial reporting systems, inland transport and export handling costs could not be directly linked to a sale. Further as Calispa transports the goods with other products simultaneously, it was unable to differentiate costs attributable to the goods from costs attributable to products that are not the goods.

Therefore, Calispa informed the verification team that it had applied a single unit inland transport and handling charge (euro/kg) to all Australian sales by aggregating the relevant costs incurred for all goods destined to Australia and dividing the result by the quantity of all products it exported to Australia over the inquiry period.

The verification team considered Calispa's approach reasonable, however, found that in deriving the unit inland transport and handling charge that the incorrect quantities had been applied. Therefore, the verification team has revised the unit inland transport and handling charge for Australian sales with reference to the correct sales quantities.

3.2.5 Export handling and port charges

Calispa explained that export handling and port charges for Australian exports were incorporated in the same invoices as inland transport costs and that the amounts pertaining to each cost could not be readily segregated. The verification team was provided evidence in the form of commercial invoices by Calispa, which supported its comments.

3.2.6 Allocation of Inland transport costs to EXW Australian sales

The verification team noted that Australian sales with which the delivery terms as per the domestic sales listing spreadsheet were Ex Works (EXW) had been allocated inland transport and handling charges. The exporter explained that this allocation was made in error when applying formulas to the spreadsheet.

Accordingly, the verification team removed inland transport/FOB charges that had been allocated to EXW sales within Calispa's Australian sales listing.

3.3 The exporter

For all Australia sales during the inquiry period, the verification team considers Calispa to be the exporter of the goods.⁴ Calispa manufactured the goods in response to orders received by an unrelated Australian customer, negotiated pricing directly with the Australian customer, and made sales directly to its customer at Free on Board (FOB) and EXW during the inquiry period.

3.4 The importers

In relation to the goods exported to Australia by Calispa from Italy, the verification team found that transactions involved:

- Australian customers purchasing the goods directly from Calispa that were the beneficial owner of the goods at the time of importation, and therefore were the importers of the goods; and
- purchases of the goods from Calispa by Australian traders acting as intermediaries for Australian customers that were the beneficial owners of the goods at the time of importation, and therefore, these Australian traders were the importers of the goods.

3.5 Related party customers

Based on Calispa's response to the exporter questionnaire, verified sales data and financial statements, the verification team did not identify any information that suggests that Calispa was related to the Australian customers and traders which it transacted with over the inquiry period.

3.6 Arms length

In respect of canned tomatoes produced by Calispa and sold to Australia during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁵

⁴ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁵ Section 269TAA refers.

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The verification team therefore considers that sales to Australia by Calispa during the inquiry period were arms length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate.

The verification team found that certain Australian sales involved:

- the goods being exported to Australia otherwise than by the importer, and have been purchased by the importer from the exporter; and
- the purchases of the goods by the importers were arms length transactions.

The verification team recommends that for these transactions, the Minister determine export prices under subsection 269TAB(1)(a), being the price paid or payable for the goods by the importer, less (as appropriate) transport and other costs arising after exportation.

The verification team found that the remaining Australian sales involved:

- the goods being exported to Australian traders acting as intermediaries for Australian customers that were the beneficial owners of the goods at the time of importation, and therefore the Australian customers were the importers of the goods; and
- the purchases of the goods by the Australian traders from the exporter were arms length transactions.

As these transactions did not involve the direct purchase of the goods by the importer from the exporter, the verification team recommends that for these transactions the Minister determine exporter prices under subsection 269TAB(1)(c) as the price paid or payable for the goods by the Australian traders, less (as appropriate) transport and other costs arising after exportation.

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

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Calispa's revised CTMS spreadsheet by reconciling it to unaudited financial statements and company tax returns⁶ in accordance with ADN No. 2016/30.

Prior to the visit, Calispa provided a cost allocation spreadsheet that detailed how the company allocated all relevant costs to tomato products. During the visit, Calispa simplified this cost allocation spreadsheet to facilitate the verification team's understanding. The simplification of the spreadsheet did not, in itself, change the data, however, the below sub-headings detail the issues identified by the verification team and the amendments to the CTMS data made by the verification team to remedy the issues.

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

4.1.1 Allocation basis for production costs

In the original CTMS spreadsheet, Calispa allocated cost of production with reference to sales quantity during the inquiry period. Calispa stated that as its canned tomatoes produced during the production season of 2017 were stocked and sold over the course of the following year, it considered sales quantity during the inquiry period (July 2017 to June 2016) to be a reasonable basis for allocation.

However, the verification team considered that in order to obtain an accurate cost of production, it would be appropriate to allocate on the basis of production quantity, rather than sales quantity. As such, the verification team allocated each cost of production with reference to production quantity of the goods during the 2017 production season.

4.1.2 Production period for fresh tomato and packaging costs

In the original CTMS spreadsheet, Calispa allocated fresh tomato and packaging (can, lid and label) costs with reference to the costs incurred in both the 2016 and 2017 production seasons. Calispa advised that as the allocation basis for production costs was sales quantity during the inquiry period, some of the quantity sold would have been produced in the 2016 production season.

Given that the verification team has revised the cost of production allocation to be based on production quantity rather than sales quantity (section 4.1.1 refers), the verification team considers that only the costs incurred in the 2017 production season are now relevant. As such, the verification team removed the 2016 production costs from the allocation of fresh tomato and packaging (can, lid and label) costs.

⁶ As Calispa does not have audited financial statements, the verification team verified the costs in the unaudited financial statements to Calispa's tax returns.

4.1.3 Fresh tomato yield

The verification team identified that in relation to one model of the goods, the fresh tomato yield from production records used to calculate the fresh tomato cost was incorrect. The verification team rectified this yield rate based on production records.

The verification team reconciled the yield rates for all other models to production records and did not identify any other issues.

4.1.4 Fresh tomato purchase costs

The verification team identified that in relation to two models of the goods, the fresh tomato purchase costs were allocated based on incorrect fresh tomato types from production records. The verification team amended these purchase costs to reference the correct fresh tomato types.

The verification team reconciled the purchase costs for all other models to production records and did not identify any other issues.

4.1.5 Fresh tomato transport costs

The verification team identified that one of Calispa's production costs related to transport of fresh tomatoes to Calispa's factory. The verification team considered that as this expense could be directly attributable to the cost of producing the goods, it would be appropriate to allocate this expense solely to the goods. As such, the verification team allocated the cost of transporting fresh tomatoes by the production quantity of the goods.

4.1.6 Inventory changes

In verifying costs from the financial statements to the CTMS spreadsheet, the verification team identified that the change in inventory between the financial year and the inquiry period had not been appropriately accounted for.

Calispa amended the change in inventory values and the verification team is satisfied that the CTMS now accurately reflects the cost of production during the inquiry period.

4.1.7 Selling, general and administrative expenses

The verification team identified that Calispa had allocated selling, general and administrative (SG&A) expenses in the same manner as production costs (section 4.1.1 refers), that is, based on sales quantity. While the verification team is satisfied that all SG&A expenses have been allocated and that no SG&A expenses should be removed, it considers that it would be appropriate to allocate SG&A expenses with reference to both sales revenue and sales quantity.

As such, the verification team amended the SG&A expenses by:

- calculating an SG&A percentage rate by taking the total SG&A expenses as a proportion of Calispa's total sales revenue during the inquiry period;
- allocating SG&A expenses for each model by multiplying the SG&A percentage rate by each model's sales revenue during the inquiry period; and
- calculating unit SG&A costs for each model by dividing the allocated SG&A expense by the model's sales quantity.

4.2 Verification of costs to source documents

Using on the revised CTMS spreadsheet (section 4.1 refers), the verification team verified the accuracy of the CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

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

4.3 Related party purchases

The verification team did not identify any suppliers that may be related to Calispa, based on the response to the exporter questionnaire and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified the revised CTMS spreadsheet to financial statements and tax returns, and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

The revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to financial statements

The verification team verified the completeness and relevance of Calispa's domestic sales listing by reconciling it to unaudited financial statements and company tax returns⁷ in accordance with ADN No. 2016/30.

Volume discrepancies between the domestic sales listing and Calispa's financial and accounting records were identified by the verification team. Upon further examination, the discrepancy could be attributed to the incorrect assignment of quantities to a credit note not related to the return of products. Further, the verification team observed that the credit note value as per the domestic sales listing did not correspond to source documents.

Accordingly, the verification team has remedied the discrepancies in Calispa's domestic sales listing by removing the quantities incorrectly assigned to the credit note and substituting the credit note values to reflect that of the source documents examined.

The verification team did not identify any further issues during the verification of domestic sales to financial statements.

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

5.2 Verification of domestic sales to source documents

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

The verification team identified a number of issues and is satisfied that once amended the domestic sales listing is accurate. These issues are discussed below.

5.2.1 Evidence of payment

The verification team found that in some circumstances, payment for sales invoices had yet to be remitted by the domestic customer to Calispa. Therefore, alternative procedures were devised to validate the occurrence of domestic sales, such as a review of customer account receivables subsidiary ledgers and evaluating the regularity of customer payments. The verification team did not identify issues adopting these substitute procedures.

5.2.2 Credit terms

The verification team identified inconsistencies in the payment days and short term borrowing rate as per Calispa's domestic sales listing and the source documents examined. The verification team conducted more comprehensive accounts receivable

⁷ As Calispa does not have audited financial statements, the verification team verified revenue in the unaudited financial statements to Calispa's tax returns.

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analysis of Calispa's most significant domestic customers and its agreements with financial institutions to determine more appropriate credit terms to be applied to domestic sales.

The payment days and short term borrowing rate in the domestic sales listing prepared by Calispa have been altered by the verification team, applying the findings of its account receivable analysis.

5.2.3 Delivery Terms

For a domestic sales transaction selected by the verification team for verification, Calispa's domestic sales listing indicated that the sale was made on EXW terms, however, source documents demonstrated that the delivery terms were 'Delivered'. The verification team was advised by Calispa that the discrepancy was the result of an input error in the compilation of the domestic sales transaction listing. Accordingly, the verification team amended the input error.

An additional four domestic sales designated as EXW in Calispa's domestic sales listing were tested by the verification team, with no exceptions observed when reconciled to source documents.

Further, seven transactions within the domestic sales listing of an insignificant sales quantity, were assigned FOB delivery terms. The verification team was advised by the exporter that there was no difference between FOB and 'Delivered' and as such the verification team had revised the domestic sales listing so the delivery terms for the seven transactions were 'Delivered'.

5.2.4 Packaging costs

Owing to the functionality of Calispa's accounting and financial reporting systems, packaging costs could not be directly linked to a sale. Therefore, Calispa informed the verification team that it had applied a single unit packaging costs to all domestic sales by aggregating all relevant costs incurred for tomato products of 400g and 800g presentations and dividing the result by the domestic sales quantities of these products for the inquiry period.

The verification team considered Calispa's approach reasonable, however, identified that:

- some of the costs assimilated in its packaging costs were labelling expenses which are a cost to make the product; and
- the sales quantities applied were not aligned to that of Calispa's accounting records.

As such, the verification team revised Calispa's unit packaging costs in respect of domestic sales by eliminating labelling expenses and applying the domestic sales quantities of 400g and 800g tomato products as per Calispa's accounting records.

5.2.5 Inland transport costs

Owing to the functionality of Calispa's accounting and financial reporting systems, inland transport could not be directly linked to a sale. Further as Calispa transports the goods with other products simultaneously, it was unable to differentiate costs attributable to the goods from costs attributable to products that are not the goods.

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Therefore, Calispa informed the verification team that it had applied a single unit inland transport (euro/kg) cost to all domestic sales by aggregating the relevant costs incurred for all goods sold domestically and dividing the result by the sales quantity.

The verification team considered Calispa's approach reasonable, however, found that in deriving the unit inland transport cost, the incorrect quantities had been applied. Therefore, the verification team has revised the unit inland transport cost for domestic sales with reference to the correct sales quantities.

5.2.6 Level of trade

In its domestic sales listing, the verification team noted that Calispa had designated the incorrect level of trade for one customer in respect of seven sales transactions.

The verification team amended the domestic sales transactions to accurately reflect the customer's level of trade.

5.2.7 Allocation of inland transport costs to EXW domestic sales

The verification team noted that domestic sales with which the delivery terms as per the domestic sales listing spreadsheet were EXW had been allocated inland transport/FOB charges. The exporter explained that this allocation was made in error when applying formulas to the spreadsheet.

Accordingly, the verification team removed inland transport/FOB charges that had been allocated to EXW sales within Calispa's domestic sales listing.

5.2.8 Non – sale transactions

The verification team found that for one domestic sale selected for verification, the transaction was in substance, a non –sale, as the goods had been provided by Calispa to the customer at no charge. Based on its assessment of source documents and the explanation provided by the exporter, the verification team understands that such non – sale transactions are not associated with any other sales invoice, such that the value of other sales is unaltered.

An accounting ledger which detailed all non - sales transactions over the inquiry period was generated by Calispa. The verification team found that the value of non – sales transactions in respect of the goods was immaterial relative to the total value of all domestic sales of the goods.

The verification team removed all non – sales from Calispa's domestic sales listing with reference to the accounting ledger that was provided.

5.2.9 Calculation of commissions

In quantifying the commissions paid in respect of sales transaction (where it applied), Calispa's domestic sales listing spreadsheet indicated that the amount of the commission was a percentage of the gross invoice value less discounts and less rebates.

However, source documents showed that the amount of the commission paid in respect of a sale was a percentage applied to the gross invoice value less discounts, which was aligned to Calispa's understanding of the method of calculating commissions paid.

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The verification team concluded that the value of commissions attached to sales in Calispa's domestic sales listing spreadsheet had applied an incorrect formula and has rectified this error accordingly.

5.2.10 Incorrect sales quantities

In the reconciliation of the sales quantity as per the domestic sales listing to the commercial invoice for a sampled transaction, the verification team noted a discrepancy.

Upon further investigation, it was found that the unit product weight that was applied to determine the total sales quantity had been erroneously inputted within the domestic sales listing. This error was rectified by the verification team.

To ascertain if the input error was an isolated occurrence, the verification team assessed if the unit weights assigned to different product types was appropriate and in circumstances where the unit weights were not correct, identified the affected sales transactions. The verification team found that the error was confined to an additional two sales transactions, which were subsequently amended by the verification team.

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

5.3 Related party customers

Based on Calispa's response to the exporter questionnaire, verified sales data and financial statements, the verification team did not identify any information that suggests that Calispa was related to its domestic customers over the inquiry period.

5.4 Arms length

In respect of domestic sales of the goods made by Calispa during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁸

The verification team therefore considers that all domestic sales made by Calispa during the inquiry period were arms length transactions.

⁸ Section 269TAA of the Act refers.

5.5 Ordinary course of trade

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

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

Where a sale was unprofitable, the verification team tested if the volume of unprofitable sales exceeded 20 per cent for that particular model. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 Goods for home consumption

Subsection 269TAC(1) of the Act provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the OCOT for *home consumption in the country of export* in sales that are arms length transactions.

The verification team found that Calispa sold like goods in bright cans on the domestic market during the inquiry period. The verification team understands that once sold, these bright canned products are labelled by the purchaser, and then may be either sold domestically or exported by the purchaser. The verification team considers that the key determinant in assessing whether these sales are for home consumption in the country of export is the knowledge of the producer as to whether these goods will be subsequently exported. Given that Calispa is unaware to which market these bright cans it sold domestically were ultimately destined, the verification team considers that Calispa's sales of like goods in bright cans on the domestic market were sales for home consumption in the country of export.

As such, the verification team has included like goods sold in bright cans in its assessment of OCOT.

5.7 Suitability of domestic sales

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

The Commission considers that low volume is less than 5 per cent of the total volume of the goods under consideration that were exported to Australia. The verification team found that in relation to the nine models exported to Australia, there were sufficient volumes of domestic sales of models made in the OCOT of all models, with the exception of two models. For these two models, the verification team has used surrogate models, based on the models with the closest physical characteristics, with sufficient volumes in the OCOT for determining the normal value under subsection 269TAC(1).

5.8 Domestic sales – summary

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

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

6 ADJUSTMENTS

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

6.1 Packaging costs

Calispa incurred packaging costs for both its Australian and domestic sales.

Calispa calculated a separate unit packaging costs in respect of its Australian and domestic sales, with which the methodology and the verification team's assessment thereof is described at sections 3.2.3 and 5.2.4 of this visit report.

The verification team has made a downwards adjustment to the normal value for domestic packaging costs and an upwards adjustment to the normal value for Australian packaging costs.

6.2 Inland transport costs

Calispa incurred inland transport costs for both its Australian and domestic sales. Calispa calculated a separate unit inland transport cost in respect of its Australian and domestic sales, with which the methodology and the verification team's assessment thereof is described at sections 3.2.4 and 5.2.5 of this visit report.

The verification team has made a downwards adjustment to the normal value for domestic inland transport costs and an upwards adjustment to the normal value for Australian inland transport costs.

6.3 Export handling and port charges

Calispa exported the goods to Australia at mainly at FOB terms and thus incurred handling and port charges.

As outlined at 3.2.4 of this visit report, export handling and port charges are incorporated in inland transport costs and cannot be readily segregated. Therefore a separate adjustment has not be made.

6.4 Credit terms

The verification team observed that Australian and domestic payment days and short term borrowing rates as per the sales listings compiled by Calispa were not aligned with the source documents reviewed.

The verification team conducted further analysis of Australian and domestic credit terms with which has been discussed at sections 3.2.2 and 5.2.5 of this visit report. The verification team concluded that Australian and domestic credit terms were not comparable over the inquiry period.

In the context of the verification team's findings, a downwards adjustment to the normal value for domestic credit terms and an upwards adjustment to the normal value for Australian credit terms has been made.

6.5 Domestic commissions

Calispa pays commissions to agents for certain domestic sales transactions being a percentage of the net invoice value, in circumstances where a customer has been referred to it. As discussed at section 5.2.9 of this visit report, the verification team has verified commissions for a selection of transactions and is satisfied that the commissions applied to the relevant transactions in the domestic sales listing spreadsheet provided by Calispa.

To ensure fair comparison to FOB export price, a downward adjustment to the normal value for domestic commission expenses has been applied based on the commission costs that were revised by the verification team. As no commissions were paid on Australian export sales during the inquiry period, the verification team does not consider a corresponding upward adjustment is merited.

6.6 Consideration of specification adjustments to surrogate models

As set forth at section 5.7 to this report, the verification team found that of the nine models exported to Australia, there were insufficient domestic sales made in OCOT for two of the models. The verification team has used surrogate models that have specifications closely resembling the exported model to ascertain normal values under subsection 269TAC(1).

In relying on surrogate models, the verification team considered whether adjustments were required to ensure a fair comparison between the export model and surrogate domestic model. The verification team analysed domestic and export selling prices, controlling where practicable, variables such as customer, time period, delivery terms, payment terms and quantities, and concluded that there were immaterial differences in domestic and/or export selling prices.

Further, the verification team also analysed the CTMS of the original and surrogate models and found there to be immaterial differences.

In view of the findings set out above, no adjustments have been made to the surrogate domestic model when matching to the export model.

6.7 Adjustments – conclusion

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

PUBLIC RECORD

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct the cost of domestic credit terms
Domestic commissions	Deduct the cost of domestic commissions paid
Domestic packaging	Deduct the cost of domestic packaging
Domestic inland transport	Deduct the cost of domestic inland transport
Export packaging	Add the cost of Australian packaging
Export inland transport and handling	Add the cost of Australian export inland transport and handling
Australian credit terms	Add the cost of Australian credit terms

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

7 NORMAL VALUE

As noted in chapter 5.6 of this report, two models of the goods exported by Calispa to Australia have been replaced with surrogate domestic models due to insufficient domestic sales in the OCOT of those original models. The verification team notes that the surrogate models had sufficient domestic sales in the OCOT.

In respect of both of the surrogate models, the verification team has assessed that adjustments to ensure a fair comparison between the export models and surrogate domestic models are not warranted (section 6.7 of this visit report refers).

For all models, the verification team is satisfied that there were sufficient volumes of domestic sales of like goods that was sold in arm's length transactions and at prices that were in the OCOT. The verification team is therefore satisfied that the prices paid in respect of those domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

The normal value under these provisions has been adjusted for certain factors in accordance with subsection 269TAC(8) to achieve fair comparison of normal values with export prices, as outlined in chapter 6 above.

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

8 PRELIMINARY DUMPING MARGIN

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

The preliminary dumping margin in respect of the goods exported to Australia by Calispa from Italy for the inquiry period is **negative 16.1 per cent**.

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

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export price
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program