



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	25/10/2019	<b>ADN:</b>	2019/132
<b>Case</b>	Hollow Structural Sections - Review of Measure - China, Korea, Taiwan, Malaysia, Thailand		
<b>Case Number</b>	529/532		
<b>Exporter</b>	Thai Premium Pipe Co Ltd		
<b>Location</b>	THAILAND		
<b>Verification from</b>	12/02/2020	<b>to</b>	17/02/2020
<b>Inquiry/ Review Period</b>	1/10/2018	<b>to</b>	30/09/2019

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 COMPANY BACKGROUND**

### **1.1 Corporate Structure and Ownership**

Thai Premium Pipe Company Limited (TPP) is a private company that has never traded under any other name. TPP was registered in 2002 and has no related suppliers or customers.

TPP is a manufacturer and distributor of ERW pipe and tube product. TPP sells products domestically and exports to other countries such as USA, Malaysia and Australia

### **1.2 Related Parties**

The verification team examined the relationships between TPP and parties involved in the manufacture and sale of the goods.

The verification team found that TPP does not have any related party customers or suppliers of the goods during the inquiry period.

### **1.3 Accounting records**

TPP's audited financial statement was audited by TPA&A (Total Package Accounting and Advisory Company Limited) and includes a statement that the financial accounts comply with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Thailand.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

TPP uses HRC of different grades and finishes to produce both the goods and like goods. HRC is unwound and slit to the required perimeter dimensions of the final goods to be produced, and is subsequently accumulated inside a 'looper' mechanism that enables a continuous production process. The accumulated HRC Steel is then fed through a system of configurable rollers and joined by means of Electric Resistance Welding (ERC).

The finished shapes can then be passed through a series of additional sizing and shaping rollers and have a coating applied, including painting or oil coating.

Once the final coating is applied, the material is cut to a fixed length and bundled for storage or transport, by means of wire strapping.

### 2.2 Model Control Codes (MCCs)

TPP provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in ADN 2019/132.

TPP did not propose any changes to the MCCs and provided all mandatory sales and cost data.

### 2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Prime/Non-Prime	Non-prime goods are goods that do not meet the required standards. TPP only exports prime goods.
Galvanised	TPP does not have galvanising facilities and all galvanised goods are produced from pre galvanised HRC. The sales of galvanised goods were verified through invoices. It should be noted that TPP used the indicator 'P' rather than 'G' to categorise their sales of galvanised products.
Finish	The finish was verified through the purchase order and invoice.
Shape	TPP sells both circular HSS and rectangular HSS in both the domestic and export markets. The shape was verified through the product code.
Grade	TPP is only certified to produce to 250 and 350 grade goods. The grade was verified through the purchase order and invoice.
Ends	All of the goods under consideration sold by TPP have plain ends.

**Table 1 MCC sub-category determination**

Table 2 below displays the relationship between the standards and MCC grade category.

## PUBLIC RECORD

Standard	MCC grade category
AS1163:2016	350
A500 GRADE A	250
A500 GRADE B	350
A500 GRADE C	350
AS1163:2016	350
JIS G 3444 STK400	250
JIS G 3466 STKR400	250
Made to Order	250 or 350
MS1862	250
TIS107-2533	250

**Table 2 MCC mapping of grades**

### **2.4 The goods exported to Australia**

The verification team were satisfied that TPP produced and exported the goods to Australia. TPP exported the goods to Australia with the following MCCs during the period:

- P-N-O-C-350-P
- P-N-O-R-350-P
- P-N-P-C-350-P
- P-N-P-R-350-P
- P-P-N-R-350-P

### **2.5 Like goods sold on the domestic market**

The verification team were satisfied that TPP sold like goods in 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:

- The goods are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- The goods are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- The goods compete in the same market sector, are interchangeable and use similar distribution channels; and
- The goods can be considered functionally alike, as they have similar end uses.

TPP sold like goods on the domestic market with the following MCCs during the period:

## PUBLIC RECORD

- N-N-N-C-250-P
- N-N-N-C-350-P
- N-N-O-C-250-P
- N-N-O-R-250-P
- N-N-O-R-350-P
- N-N-P-R-250-P
- N-P-N-C-250-P
- N-P-N-R-250-P
- P-N-O-C-250-P
- P-N-O-C-350-P
- P-N-O-R-250-P
- P-N-O-R-350-P
- P-N-P-C-250-P
- P-N-P-C-350-P
- P-N-P-R-250-P
- P-N-P-R-350-P
- P-P-N-C-250-P
- P-P-N-C-350-P
- P-P-N-R-250-P
- P-P-N-R-350-P
- P-P-O-R-250-P
- P-P-O-R-350-P

### 2.6 Like goods – assessment

The verification team considers that the goods produced by TPP for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the *Customs Act 1901* (the Act).<sup>1</sup>

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

### 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the Response to the Exporter Questionnaire (REQ) by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- TPP's total company revenue in its 2018 Financial Statement reconciled to its general ledger in its accounting system, filtered for all 2018 transactions and accounts related to sales.
- TPP then undertook a similar process to isolate sales data for the 2019 component of the inquiry period.
- These reports reconciled in both value and volume to the sales listings submitted in the REQ
- Source documents were provided to verify the products that were listed in the detailed sales ledger as the goods.

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**.

#### 3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by TPP, is complete and relevant.

<b>4 VERIFICATION OF SALES ACCURACY</b>
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The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to source documents in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 4.1 Exceptions during verification of sales accuracy

Exception 1 Revised Australian sales listing	Resolution
TPP advised on the first day of the on-site verification that the Australian sales listing had used an incorrect denominator as the unit of measurement for a number of unit costs.	The denominator used was revised.
The verification team noted that the standard for TPP-AUS-05-017/18 reads AS1163:2009 in the sales listing but AS1163:2016 on invoices. TPP explained that this was a typo and all standards should read AS1163:2016.	The verification team made this revision themselves.
Two transactions were identified as being sales of rectangular hollow sections with a nominal thickness of less than 1.6mm. They were therefore considered not to be the goods.	These two transactions were removed from the Australian sales listing.

Exception 2 Revised domestic sales listing	Resolution
TPP advised on the first day of the on-site verification that the Domestic sales listing had used an incorrect denominator as the unit of measurement for a number of unit costs.	The denominator used was revised.
The verification team noted that all domestic sales had been listed as being at the 'distributor' level of trade. This was queried with TPP who clarified that there while the majority of their sales were to distributors, they did in-fact sell to some end-users.	TPP provided a list of domestic end-users and revised the level of trade to accurately reflect whether each sale was made to a distributor or end-user.
The verification team noted that one invoice had an unusually high unit price, noting also a large discrepancy between theoretical and actual weight for this sale. Although this MCC was not exported to Australia, the team queried this with TPP to ensure there were no systemic risks to the data. TPP explained that the theoretical weight for this sale was correct and the actual weight was wrong. Under further examination, the team identified over 30 other domestic sales where the discrepancy between theoretical and actual weight was greater than 100%.	The team instructed TPP to check the weights for the entire domestic sales listing and then submit a revised version. The team then made a further selection of domestic sales for downwards verification to ensure there were no systemic risks to the data in the latest version. The team have been able to reconcile the weights for all but one the newly selected sales.



**PUBLIC RECORD**

<p>TPP was unable to provide sufficient documentation to verify the grades of some of their made-to-order domestic sales of grades 250 reported against the MCC grade category.</p>	<p>The verification team concluded that an amendment should be made to the made-to-order sales with MCC grade category 250 above a particular unit price and categorise them as 350 grade. The unit price amount was calculated based on the weighted average domestic selling price per MT for MCC grade 350 of another Thai HSS manufacturer's plain end, non-galvanised, no finish HSS in the same period. Further details are in <b>Confidential Attachment 2</b>.</p>
<p>TPP recorded inland transport expenses on an allocated basis. This allocation was calculated using the total expenses for the 'transportation' and 'gasoline - truck' accounts from the general ledger for each quarter and allocating these totals to those of the actual weights of the goods and non-MCC products sold in that quarter: However, the verification team was only able to verify the theoretical weight of TPP's domestic sales – not the actual weight.</p>	<p>The inland transport expenses were revised to be a function of theoretical weight rather than actual weight.</p>
<p>The verification team identified a number of transactions that were not sales of like goods. Specifically, these were sales of:</p> <ul style="list-style-type: none"> <li>• CHS with diameters of 21mm or less and those with diameters greater than 165.1mm</li> <li>• RHS with a nominal thickness of less than 1.6mm</li> </ul>	<p>These sales were filtered out of the OCOT and Normal Value calculations.</p>
<p>The verification team identified a sale of RHS which had an outlier width of 6336mm.</p>	<p>This was corrected to 63.36mm.</p>

**Table 3 Exceptions during verification of accuracy of sales data**

## 4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by TPP, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

## 5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- TPP's total company cost of goods sold (COGS) in its 2018 Income Statement reconciled to its trial balance COGS
- TPP's total company cost of goods sold (COGS) for the relevant period in 2019 reconciled to its trial balance COGS
- The trial balance ledgers reconciled to the finished goods inventory ledger
- The finished goods inventory ledger for the goods were reconciled to the costs data submitted in the REQ

The visit team verified the relevance and completeness of the SG&A data as follows:

- TPP's SG&A expenses in the 2018 income statement and 2019 period reconciled to TPP's trial balance

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**.

### 5.1 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by TPP, is complete and relevant.

<b>6</b>	<b>VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY</b>
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### 6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information provided in the REQ to the relevant MCCs, in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 4 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are allocated to the GUC based on production quantity. Paint raw materials are allocated to GUC with painted finish based on production quantity.
Scrap Allocation	Scrap produced in production is sold by TPP. Revenue from sales is not offset against the CTMS.
Manufacturing Overheads	Manufacturing overheads costs are allocated to the GUC based on production quantity.
Labour	Direct labour costs are allocated to the GUC based on production quantity.
Depreciation	Depreciation is allocated to the GUC based on production quantity.

**Table 4 Cost allocation method**

### 6.2 Exceptions during verification of CTMS allocation method

Exception	Resolution
<b>Exception 3 Revised raw material allocation</b> TPP had allocated the costs of all HRC (i.e. black and galvanised HRC) equally across all MCCs, regardless of whether it was pre-galvanised HSS or not.	TPP reallocated the HRC costs across all MCC's to allocate the higher costs of galvanised HRC to only the pre-galvanised HSS.
<b>Exception 4 Revised manufacturing overheads allocation</b> TPP had allocated all manufacturing overheads costs equally across all MCCs, based on production quantities only, failing to allocate the increased costs of manufacturing overheads for painted finish goods to those MCCs.	Paint Machine depreciation costs were re-allocated to painted MCCs to ensure the higher costs of painted goods are captured.
<b>Exception 5 Revised SGA Costs</b> TPP had incorrectly excluded costs from the SG&A relating to donations.	Costs related to the donations were included in the SG&A calculation.
TPP advised that there had been additional accrual adjustments made relating to bonuses in the period after the submission of the REQ.	TPP provided an updated SG&A calculation adjusted to represent the revised accrual amount.

**Table 5 Exceptions during verification of CTMS allocation method**

### **6.3 Verification of Accuracy of CTMS data**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information provided in the REQ 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 this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### **6.4 Accuracy finding**

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by TPP, including any required amendments as outlined as an exception above, is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

## 7 EXPORT PRICE

### 7.1 The importers

The verification team considers TPP's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer as importer is:

- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

In relation to the goods exported by TPP to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

### 7.2 The exporter

The verification team considers TPP to be the exporter of the goods<sup>2</sup>, as TPP is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight and marine insurance.

The verification team were satisfied that for all Australian export sales during the period the verification team considers TPP to be the exporter of the goods.

### 7.3 Export Price – assessment

In respect of Australian sales of the goods by TPP, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

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

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<sup>2</sup> 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.

## 8 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under section 269TAC(1).

### 8.1 Ordinary course of trade

Section 269TAAD states that domestic transactions are not in the ordinary course of trade (OCOT) if arms length transactions are:

- unprofitable in substantial quantities over the investigation period; and
- unlikely to be recoverable within the period.

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction. The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period. The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly cost to make and sell, excluding direct selling expenses
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the period

Table 6 OCOT details

### 8.2 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Domestic sales of like goods are taken to be in a low volume under section 269TAC(14) where the total volume of like goods is less than five percent of the total volume of the goods under consideration that are exported to Australia (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison).

The verification team assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the normal value can be ascertained under section 269TAC(1).

As per the *Dumping and Subsidy Manual*, where the total volume of like goods is greater than five percent of the total volume of the goods under consideration, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is further detailed below:

**PUBLIC RECORD**

<b>Export MCCs</b>	<b>Sufficient domestic sales of identical MCC</b>	<b>Treatment of normal value where there were insufficient domestic sales of identical MCC</b>
P-P-N-R-350-P	Y	Not applicable
P-N-O-C-350-P	Y	
P-N-O-R-350-P	Y	
P-N-P-R-350-P	Y	
P-N-P-C-350-P	N	Surrogate model P-N-P-R-350-P used
All sales	Y	

**Table 7 Sufficiency test**

As outlined in Table 7 above, the verification team found that there were sufficient domestic sales volumes of identical MCCs made in OCOT for four MCCs exported to Australia.

For one MCC export to Australia where there were insufficient sales of the identical MCCs, the verification team found sufficient domestic sales volumes of a surrogate model based on the closest physical characteristics under the MCC hierarchy structure.

<b>9</b>	<b>ADJUSTMENTS</b>
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To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8).

### 9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	TPP offered a range of differing credit terms for certain domestic customers.	A single credit adjustment rate was determined by totalling the interest expense from promissory notes and trust receipts across the period, and dividing that total by an average of the outstanding balances of those two accounts across the same period.	N	Y
Domestic inland transport	TPP incurred inland transport expenses for all domestic sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Y	Y
Domestic commission	TPP incurred commission expenses for certain domestic sales.	Unit value based on actual commission expense.	Y	Y
Export packaging	TPP incurred packing expenses for all Australian sales.	Weighted average unit value based on the total packaging costs and invoice quantity.	N	Y
Export inland transport	TPP incurred inland transport expenses for all Australian sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Y	Y
Export port charges	TPP sold on mainly on a FOB level and therefore incurs port charges for the majority of exports of the goods.	Weighted average unit value based on actual handling cost and invoice quantity.	Y	Y

**Table 8 Assessment of adjustments**

### 9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges



## PUBLIC RECORD

### Table 9 Summary of adjustments

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

## 10 NORMAL VALUE

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

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in chapter 9 above.

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

## 11 DUMPING MARGIN

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by TPP for the period is **negative 4.5 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

**12 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program
<b>Confidential Attachment 2</b>	Confidential analysis