



Exporter Verification Report

Verification & Case Details

Initiation Date	24/02/2020	ADN:	ADN 2020/014
Case Number	544		
The goods under consideration	Aluminium Extrusions		
Case type	Review of Measures		
Exporter	Alumac Industries Sdn Bhd		
Location	Remote verification		
Review Period	1/01/2019 to 31/12/2019		

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

CONTENTS

CONTENTS.....2

1 COMPANY BACKGROUND.....3

1.1 CORPORATE STRUCTURE AND OWNERSHIP3

1.2 ACCOUNTING RECORDS3

2 THE GOODS AND LIKE GOODS4

2.1 PRODUCTION PROCESS4

2.2 MODEL CONTROL CODES (MCCs)4

2.3 VERIFICATION OF MCCS6

2.4 THE GOODS EXPORTED TO AUSTRALIA6

2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....7

2.6 LIKE GOODS – ASSESSMENT.....7

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE8

3.1 UPWARDS SALES VERIFICATION8

3.2 RELATED PARTY SALES.....8

3.3 SALES COMPLETENESS AND RELEVANCE FINDING.....9

4 VERIFICATION OF SALES ACCURACY.....10

4.1 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY10

4.2 SALES ACCURACY FINDING11

5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE12

5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA12

5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....13

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY.....14

6.1 COST ALLOCATION METHODOLOGY14

6.2 EXCEPTIONS DURING VERIFICATION OF CTMS ALLOCATION METHODOLOGY14

6.3 VERIFICATION OF ACCURACY OF CTMS DATA.....15

6.4 EXCEPTIONS DURING VERIFICATION OF ACCURACY OF CTMS DATA15

6.5 ACCURACY FINDING.....15

7 EXPORT PRICE.....16

7.1 THE IMPORTERS.....16

7.2 THE EXPORTER16

7.3 ARMS LENGTH.....16

7.4 EXPORT PRICE – ASSESSMENT17

8 DOMESTIC SALES18

8.1 ARMS LENGTH.....18

8.2 ORDINARY COURSE OF TRADE18

8.3 VOLUME OF RELEVANT SALES19

9 ADJUSTMENTS.....21

9.1 RATIONALE AND METHOD21

9.2 ADJUSTMENTS23

10 NORMAL VALUE24

11 DUMPING MARGIN25

12 APPENDICES AND ATTACHMENTS.....26

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Alumac Industries Sdn Bhd (Alumac Industries) is a private company that manufactures and sells aluminium extrusions.

The relationships between Alumac Industries and related parties involved in the manufacture and sale of the goods were examined as part of the verification.

1.1.1 Related suppliers

Alumac Industries has one subsidiary, Alumac Management Sdn Bhd (Alumac Management), which provided some contract labour to Alumac Industries for the production of the goods. From the upwards costs verification, all relevant production costs were found to be allocated to the goods and these allocations were considered to be reasonable.

Alumac Industries did not have any related party suppliers of materials during the review period.

1.1.2 Related customers

Alumac Industries had domestic sales of like goods in the review period to the following related parties:

- Alumac Marketing Sdn Bhd (Alumac Marketing); and
- Alumac Trading Sdn Bhd (Alumac Trading).

Related party transactions were examined to test whether they were arms length, as discussed in chapter 3 of this report. Based on this assessment, sales to related parties were considered to be arms length and have been included in the assessment of the normal value based on domestic selling prices.

1.2 Accounting records

Alumac Industries' most recent financial statement was audited by OK Yau & HowYong PLT. It provides that the financial accounts comply with the, "Malaysian Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia."

Based on this, and other information verified, the accounting records held by Alumac Industries are considered to be in accordance with the generally accepted accounting principles of Malaysia.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

- **Raw materials:** Aluminium billets used by Alumac Industries are sourced from unrelated third party suppliers.
- **Extrusions production:** Aluminium extrusions are produced to shape and tempered.
- **Further processing and additional work:** Mill finished extrusions are finished/further processed depending on specific customer requirements, eg:
 - Extrusions are anodised in-house or externally for certain extrusions with additional machining (reported as anodised finish);
 - Extrusions are powder coated by unrelated third party suppliers (reported as powder coated finish);
 - Extrusions undergo sandblasting and are then anodised (reported as anodised mechanical finish);
 - Extrusions have a hairline finish and are then anodised (reported as anodised mechanical finish);
 - For certain extrusions that require additional working for machining (including bending), processing is performed by unrelated third parties (these extrusions were reported within mill, anodised, powder coated and anodised mechanical finished powder coated finishes);
 - For certain extrusions that require precision cutting, this is performed in-house/outsourced (these extrusions are reported within mill finish, anodised and powder coated finishes); and
 - For certain extrusions that have additional working for thermal break, thermal break strips are sourced externally from unrelated third parties, and the assembly of thermal break strips is done in-house (these sales were reported within mill and anodised finishes).
- **Packaging:** Extrusions are inspected and packed:
 - Alumac Industries reported differences in packing costs between domestic and export sales. The company allocated general packaging expenses to all domestic sales and allocated export packaging costs based on packing expenses which were specifically for exports (eg. costs for wooden pallets, plastic sheet, PE Foam and labour costs).
- **Despatch:** Goods are delivered/shipped to customers or sold on EXW terms.

2.2 Model Control Codes (MCCs)

Alumac Industries provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure proposed in Anti-Dumping Notice (ADN) No. 2020/014.

2.2.1 Amendments to MCC categories

Alumac Industries proposed an additional MCC sub-category for sales and costs, in regard to goods that were classified as having mechanical finishes (sand blasting or hairlines) and were also anodised.

Based on the analysis of price and cost differences of the goods sold by Alumac Industries, it is also considered necessary to make additional amendments to the MCC structure.

No.	Exception	Resolution
1	For sales reported as “anodised mechanical” finish, these sales were classified differently on invoices based on specification differences (sand blasting or hairlines), and it was observed that these sales had materially different selling prices to other sales, thus affecting price comparability.	It is proposed that the MCC categories be amended as follows: <ul style="list-style-type: none"> • sub-category for “anodised mechanical” added within ‘finish’
2	In relation to the sales data provided by Alumac Industries, it was observed that alloy code did not have a material effect on prices.	It is proposed that the MCC categories be amended as follows: <ul style="list-style-type: none"> • category for alloy code removed
3	In relation to the sales data provided by Alumac Industries, it was observed that temper code did not have a material effect on prices.	It is proposed that the MCC categories be amended as follows: <ul style="list-style-type: none"> • category for temper code removed
4	In relation to the costs and sales data provided by Alumac Industries, certain domestic and export sales had further working for machining (including bending) and/or precision cutting. For these sales, it was observed that there were material differences in costs and selling prices, such that they were not comparable to sales without these forms of additional working, even once differences in costs had been adjusted for.	It is proposed that the MCC categories be amended as follows: <ul style="list-style-type: none"> • category for ‘additional works’ added, with sub-category: “A” Additional working - machining/precision cutting
5	In relation to the costs and sales data provided by Alumac Industries, certain domestic sales included a thermal break strip. For these sales, it was observed that there were material differences in costs and selling prices between other models, such that they were not comparable to sales without thermal break, even once differences in costs had been adjusted for.	It is proposed that the MCC categories be amended as follows: <ul style="list-style-type: none"> • category for ‘additional works’ added, with sub-category: “TB” – Additional working - thermal break

Table 1 Amendments to the MCCs

2.3 Verification of MCCs

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	The MCC sub-categories were verified to commercial documents and product descriptions/product codes in Alumac Industries' accounting system.
Alloy Code	The MCC sub-categories were verified to commercial documents.
Temper Code	The MCC sub-categories were verified to commercial documents.
Anodising microns	The MCC sub-categories were verified to commercial documents and product descriptions/product codes in Alumac Industries' accounting system.
Minor works	The MCC sub-categories were verified to commercial documents and product codes in Alumac Industries' accounting system.

Table 2 MCC sub-category determination

Table 3 demonstrates the MCC categories used in the assessment of Alumac Industries' sales and costs data:

Category	Sub-category		Sales	Cost
Finish	A	Anodised	Y	Y
	M	Mill		
	PC	Powder coated		
	AM	Anodised mechanical		
Anodising Microns	0	Not anodised	Y	N
	1	<20µm		
	2	>20µm		
Minor works	A	Additional working - machining/precision cutting	Y	Y
	TB	Additional working - thermal break		
	N	Other (no additional working)		

Table 3 – MCC categories used for Alumac Industries costs and sales

2.4 The goods exported to Australia

The verification team was satisfied that Alumac Industries produced and exported the goods to Australia. Alumac Industries exported the goods to Australia with the following MCCs during the period:

- A-1-N
- M-0-A

- M-0-N
- PC-0-N

2.5 Like goods sold on the domestic market

The verification team was satisfied that Alumac Industries 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:

- **Physical likeness** – Goods sold domestically and exported to Australia are produced in the same way, noting that different dies are required and different further processing may occur, subject to individual customer specifications;
- **Production likeness** – Goods sold domestically are produced at the same facilities, using the same raw material inputs and manufacturing processes, subject to individual customer specifications, with certain processing outsourced to third party suppliers;
- **Commercial likeness** – Goods sold domestically compete in the same market sector, are interchangeable and use similar distribution channels; and
- **Functional likeness** – Goods sold domestically can be considered functionally alike, as they have similar end uses.

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

- A-1-A
- A-1-N
- A-1-TB
- A-2-N
- AM-1-A
- AM-1-N
- M-0-A
- M-0-N
- M-0-TB
- PC-0-A
- PC-0-N

2.6 Like goods – assessment

The verification team considers that the goods produced by Alumac Industries 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).¹

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

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

3.1 Upwards sales verification

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 of the completeness and relevance of the export and domestic sales listings provided in the Response to the Exporter Questionnaire (REQ) was completed by reconciling these to the most recent audited financial statement in accordance with ADN No. 2016/30.

The upwards sales verification to test the relevance and completeness of the sales data was completed as follows:

- Alumac Industries' revenue for the review period was reconciled upwards to the most recent audited financial statement, by subtracting the revenue for the last 2 quarters of 2018 and adding the revenue of the last 2 quarters of 2019;
- Revenue for the review period was reconciled to the company's financial system and management reports;
- Management reports were reconciled to the general ledger accounts and to the sales listings reported by Alumac Industries in its REQ; and
- For the goods exported to Australia, sales were reconciled to the ABF import data.

No issues were identified 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 Related party sales

Alumac Industries had domestic sales of like goods in the review period to the following related parties:

- Alumac Marketing Sdn Bhd (Alumac Marketing); and
- Alumac Trading Sdn Bhd (Alumac Trading).

Selling prices to these related parties were assessed having regard to domestic sales of other sellers of like goods, in sales of similar specifications that were found to be arms length transactions.

From this analysis it was found that Alumac Industries' selling prices to related parties were comparable with prices of relevant domestic sales of like goods to other sellers. Based on this analysis, it was not found that prices to related parties appeared to be influenced by the relationship. In addition, there was no evidence

PUBLIC RECORD

found of any consideration payable in respect of the goods besides the price, or of reimbursements. As such, these sales were considered to be arms length transactions and have been included in the assessment of the normal value based on domestic selling prices.

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

3.3 Sales completeness and relevance finding

Based on the verification steps outlined in this chapter, the sales data provided by Alumac Industries was found to be complete and relevant.

4 VERIFICATION OF SALES ACCURACY

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

The following issues outlined below were identified 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

No.	Exception	Resolution
1	From the downwards sales verification it was identified that bank charges were incurred for all Australian sales.	Alumac Industries updated the Australian sales listing with bank charges listed, and these have been reclassified as direct selling expenses in the company's SG&A listing.
2	From the verification of packaging expenses it was identified that certain packaging costs had been incorrectly allocated within the sales listing.	Alumac Industries updated the Australian sales listing, and provided relevant source documents to justify the packaging allocations.
3	From the downwards verification it was identified that destination port expenses for one sale had been classified as 'handling' expenses, relevant to the FOB price of the goods.	Alumac Industries updated the Australian sales listing to reclassify that cost as a post-FOB expense.
4	From the sales analysis, it was identified that machining costs had been omitted for one sale.	Alumac Industries updated the Australian sales listing with the applicable cost data, and sales with minor works in the form of 'machining' were reconciled to the product codes in the company's accounting system.
5	In its REQ, Alumac Industries reported costs related to 'additional working' (ie. machining costs and thermal break costs) for relevant Australian and domestic sales. However, from the verification of sales and costs, it was identified that additional costs were relevant to certain sales with additional working for machining/precision cutting.	Alumac Industries provided updated data for the domestic and export sales listings in relation to handling and transportation costs for machining, and costs for precision cutting. These amounts were reconciled to source documents and have been relied on for the assessment of specification differences for domestic and exports with additional working.

Table 4 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The sales data provided by Alumatic Industries, including any required amendments as outlined in the exception tables above, was found to be 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 completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ was verified by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The relevance and completeness of the cost to make data was verified as follows:

- The total cost of goods sold (COGS) for July 2018 to June 2019 was traced from the most recent audited financial statement to managements reports;
- The total COGS for the review period was reconciled to Alumac Industries' profit and loss statement and accounting system for the review period;
- The change in finished goods inventory was verified to Alumac Industries' management reports and accounting system;
- The cost of goods sold for the review period was converted to cost of production by adjusting for the change in finished goods inventory; and
- Alumac Industries' production cost allocation methodology was analysed, to confirm that relevant production costs were allocated to the subject goods.

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

- The listing of all SG&A expenses was reconciled to the income statement for the review period income statement.

The issues outlined below was identified 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 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
1	During the upwards costs verification, it was observed that certain maintenance expenses had not been allocated to the goods.	Alumac Industries provided revised cost data with these expenses included.

Table 5 Exceptions during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

Based on the verification steps outlined above, the CTMS data provided by Alumac Industries in its exporter questionnaire response, including any required amendments as outlined as an exception, was found to be complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY

6.1 Cost allocation methodology

The reasonableness of the methodology used to allocate the cost information provided in the REQ to the relevant MCCs was assessed, in accordance with ADN No. 2016/30.

Table 6 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs were allocated based on production volume.
Manufacturing Overheads	Manufacturing overheads were allocated based on production volume.
Labour	Allocated based on production volume. As outlined below, Alumac Industries re-allocated direct labour costs to the goods proportional to the activity in which the costs were recognised.
Depreciation	Allocated based on production volume relevant to the activity in which certain costs were recognised.

Table 6 Cost allocation methodology

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

6.2 Exceptions during verification of CTMS allocation methodology

No.	Exception	Resolution
1	From the costs verification, it was observed that Alumac Industries had allocated direct labour expenses on an equivalent basis to all like goods and other products (eg. tolled services, where Alumac Industries only performed an anodising service). This was considered to be unreasonable as it did not reflect the differences in production costs between different products.	Alumac Industries reallocated direct labour expenses, proportional to the headcount of staff involved in the production of extrusions and other services.
2	From the verification of the accuracy of cost allocations, it was observed that expenses for 'additional working' (eg. machining and thermal break costs) had been allocated to all products, whereas they were only relevant to specific sales that incurred additional working.	For these sales, Alumac Industries also reported costs specific to each relevant domestic and export sale with additional working and these costs were reconciled to relevant source documents. So that these expenses are only allocated to goods with additional working, an additional MCC cost category has been added, and costs for additional working have been allocated only to those goods with additional working.

Table 7 Exceptions during verification of CTMS allocation methodology

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 accuracy of the CTMS information provided in the REQ was verified by reconciling it to source documents in accordance with ADN No. 2016/30.

The issues outlined below were identified 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 Exceptions during verification of accuracy of CTMS data

No.	Exception	Resolution
1	Alumac Industries reported bank charges and sales commissions as indirect selling expenses in its SG&A. However, from the downwards sales verification, these expenses were found to be direct selling expenses, incurred in relation to certain domestic and Australia sales.	These expenses have been reclassified as direct selling expenses within Alumac Industries' SG&A listing.

Table 8 Exceptions during verification of accuracy of CTMS data

6.5 Accuracy finding

The CTMS data provided in the exporter questionnaire response by Alumac Industries, including any amendments as outlined as an exception above, was found to be accurate and to reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

Alumac Industries' Australian customers are considered to be the beneficial owner of the goods at the time of importation and therefore the importer as they are:

- named on the commercial invoices as the customer;
- named as the consignee on the bills of lading;
- named as the importer/consignee on certificates of origin;
- declared as the importer on the importation declaration to ABF;
- responsible for all the importation charges, based on the relevant incoterms of the sales; and
- are responsible for arranging delivery from the port.

In relation to the goods exported by Alumac Industries to Australia, the customers listed for each shipment are considered to be the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

7.2 The exporter

Alumac Industries is considered to be the exporter of the goods², for all Australian export sales during the review period as Alumac Industries is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bills 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.

7.3 Arms length

In respect of Alumac Industries' Australian sales of the goods, all customers were reported as being unrelated. Additionally, in relation to these sales during the review period, no evidence was found that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price appeared to be 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

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

- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.³

Therefore, based on the information verified, all export sales made by Alumac Industries to its Australian customers during the period were considered to be arms length transactions.

7.4 Export price – assessment

In respect of Australian sales of the goods by Alumac Industries, it is recommended that the export price be determined under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The preliminary export price calculations are at **Confidential Appendix 1**.

³ Section 269TAA refers.

8 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

8.1.1 Related party customers

The analysis of related party transactions is discussed in chapter 3.

In respect of Alumac Industries' domestic sales of like goods to its related customers during the period, it was not found that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁴

All domestic sales made by Alumac Industries to its related customers during the period were therefore considered to be arms length transactions.

8.1.2 Unrelated customers

In respect of Alumac Industries' domestic sales of like goods to its unrelated customers during the period, it was not found that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price appeared to be 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 not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

All domestic sales made by Alumac Industries to its unrelated domestic customers during the period were therefore considered to be arm's length transactions.

8.2 Ordinary course of trade

Section 269TAA states that domestic sales of like goods are not in the OCOT if arms length transactions are:

⁴ Section 269TAA of the Act refers.

PUBLIC RECORD

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁵

Profitability was tested by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

Secondly, it was assessed whether the unprofitable sales were in substantial quantities (not less than 20 per cent) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

Lastly, recoverability of sales was tested 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, and adjusting for differences being the weighted average additional working and outsourced costs and those costs incurred for each relevant transaction.
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the period.

Table 9 OCOT details

8.3 Volume of relevant sales

The total volume of relevant sales of like goods was assessed as a percentage of the goods exported to Australia. The volume of relevant domestic sales was found to be five per cent or greater and therefore was not considered to be a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

⁵ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

PUBLIC RECORD

This analysis is detailed in the table below.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
A-1-N	Y	No adjustment required.
M-0-A	Y	No adjustment required.
M-0-N	Y	No adjustment required.
PC-0-N	Y	No adjustment required.

Table 10 Domestic volumes

The assessment of relevant sales volumes is at **Confidential Appendix 3**.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the following adjustments have been considered, 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	To adjust for differences between terms of credit for Alumac Industries domestic sales and exports to Australia.	Information was relied on from the REQ and downwards verification of sales. The calculation methodology accords with the method described in the ADC Dumping and Subsidy Manual, having regard to the payment terms for each sale and the interest rate for short term deposits.	No	Yes
Domestic commission	To adjust for differences between costs for commission incurred by Alumac Industries for domestic sales.	Commission costs were reconciled to the company's relevant general ledger account.	Yes	Yes
Domestic packaging	To adjust for differences between packaging costs incurred by Alumac Industries for domestic and export sales.	Alumac Industries calculated a unit "standard packaging" cost for all domestic sales, and this was verified to the relevant ledger.	Yes	Yes
Domestic inland transport	To adjust for differences between transport costs incurred by Alumac Industries for domestic sales and inland freight for exports to Australia.	WA inland transport costs were allocated to all domestic sales and this was verified to the relevant ledger.	Yes	Yes
Export packaging	To adjust for differences between packaging costs incurred by Alumac Industries for domestic and export sales.	From the verification of packaging costs and the verification of export sales downwards to source documents, it was found that Alumac Industries did not use stillages in their exports of the goods. Alumac Industries allocated export packaging expenses based on the actual unit costs incurred for the exports in the period and these allocations were verified downwards to	Yes	Yes

PUBLIC RECORD

		source documents, including commercial invoices for packaging costs incurred.		
Export inland transport	To adjust for differences between transport costs incurred by Alumac Industries for domestic sales and inland freight for exports to Australia.	Export inland transport costs were reported based on the actual costs incurred for each sale and these were verified to relevant commercial documents.	Yes	Yes
Export port handling charges	To adjust for differences between costs incurred by Alumac Industries for exports to Australia.	Export port handling costs were reported based on the actual costs incurred for each sale and these were verified to relevant commercial documents.	Yes	Yes
Export fumigation expenses	To adjust for differences between costs incurred by Alumac Industries for exports to Australia	Export fumigation costs were reported based on the actual costs incurred for each sale and these were verified to relevant commercial documents.	Yes	Yes
Export bank charges	To adjust for differences between costs incurred by Alumac Industries for exports to Australia	Export bank charges were recorded based on the actual costs incurred for each sale and these were verified to relevant commercial documents and proof of payments.	No	Yes
Export credit terms	To adjust for differences between terms of credit for Alumac Industries domestic sales and exports to Australia.	Information was relied on from the REQ and downwards verification of sales. The calculation methodology accords with the method described in the ADC Dumping and Subsidy Manual, having regard to the payment terms for each sale and the interest rate for short term deposits.	No	Yes
Specification adjustment (only applied to extrusions with additional working for machining/ precision cutting)	Information examined during the verification indicated that there were material differences in specifications for domestic sales and exports to Australia with additional working for machining, and/or precision cutting. As such, an adjustment was required for the purpose of comparing domestic selling prices with exports to Australia.	An adjustment has been calculated having regard to the costs incurred for outsourced machining services, related handling/transportation costs, and precision cutting costs – as it was found that these costs had a direct influence on prices.	Yes	Yes

Table 11 Assessment of adjustments

9.2 Adjustments

The following adjustments have been made under section 269TAC(8) 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 commission	Deduct an amount for domestic commission costs
Domestic packaging	Deduct an amount for domestic packaging costs
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
Export fumigation costs	Add an amount for fumigation costs
Export bank charges	Add an amount for bank charges
Export credit terms	Add an amount for export credit terms
Specification adjustment (only applied to extrusions with additional working for machining/precision cutting)	Deduct an amount for the machining/precision cutting costs for domestic sales, to net off the additional working expenses for domestic sales; and Add an amount for machining/precision cutting costs in line with the additional working expenses incurred for export sales.

Table 12 Summary of adjustments

The preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

10 NORMAL VALUE

It was found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. As such, there is not an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

Therefore Alumac Industries' preliminary normal value has been determined under section 269TAC(1).

In using domestic sales as a basis for normal value, certain adjustments, in accordance with section 269TAC(8), are necessary to ensure that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 0 above.

The 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 review period.

The dumping margin for the goods exported to Australia by Alumac Industries for the period is **negative 1.0 per cent**.

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

12 APPENDICES AND ATTACHMENTS

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