



Exporter Verification Report

Verification & Case Details

Initiation Date	30/03/2020	ADN:	2020/032
Case Number	548		
The goods under consideration	Kraft Paperboard		
Case type	Dumping Investigation		
Exporter	Graphic Packaging International, LLC. (GPIL)		
Location	Remote verification		
Investigation period	1/01/2018 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

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1 PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR 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.

2 COMPANY BACKGROUND

2.1 Corporate Ownership and Functions

Graphic Packaging International, LLC. (**GPIL**) is a subsidiary of Graphic Packaging Holding Company (**GPHC**), which is publicly traded on the New York stock exchange.

GPIL describes itself as a leading provider of paper-based packaging solutions for a wide variety of products to food, beverage, foodservice and other consumer products companies. GPIL states that it operates on a global basis, is one of the largest producers of folding cartons in the United States and holds leading market positions in coated recycled board, coated unbleached kraft paperboard and solid bleached sulfate paperboard.

GPIL produces the goods and like goods, and sells them in the domestic market and to the Australian and third country export markets. GPIL confirmed that it is the only company in the group involved in the production of the kraft paperboard subject to this investigation.

2.2 Related Parties

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

2.2.1 Related suppliers

The verification team found that GPIL did not have any related party suppliers of raw materials involved in the manufacture of the goods during the investigation period.

2.2.2 Related customers

The verification team found:

- GPIL's domestic customers of like goods in the investigation period did not include related parties; and
- the vast majority of goods exported to Australia during the investigation period were sold to a related party, and the small volume sold to an unrelated party ceased early in the investigation period.

2.3 Accounting records

GPIL's financial accounting period aligns with the calendar year. Its accounts are kept in US dollars and maintained in accordance with the US generally accepted accounting principles (GAAP).

GPIL used Ernst & Young as auditors for 2018 and 2019.

3 THE GOODS AND LIKE GOODS

3.1 Production process

GPIL explained that production process is as follows:

- Logs delivered - harvested tree logs are sent to the mill for turning into wood chips;
- Chipping - logs are piled for storage then sent to chipper;
- Digesting - chips are stored in chip pile, then sent to the pulp mill digesters where chemicals are added to separate lignin from fibers, and fibers left intact. The chemicals are recovered for reuse and the wood fibers are sent to the paper machines;
- Caliper is determined by the amount of fiber that comes out of the machine chest and into the headbox and wet strength chemicals are added to the fiber;
- Paper making – the cleaned pulp is sent to the paper machine and formed into a continuous sheet of paper;
- Pressing - The formed sheet is very wet and is pressed to raise the solids level;
- Steam drying – paper is dried using steam heated cylinders to bring moisture down;
- Coating – the paper is coated with 3 layers of latex coating to give the sheet a white smooth appearance for printing;
- Rolling – paper is rolled up into jumbo reels

3.2 Model Control Codes (MCCs)

GPIL stated in its response to the exporter questionnaire that it does not consider that a MCC structure is relevant. GPIL submitted that model matching should be based on the grammage (GSM) of products.

The verification team considers it reasonable to have regard to GSM categories for model matching purposes because:

- GPIL's export price lists to the Australian customers show that unit prices vary by GSM category;
- GPIL's export prices show different prices by GSM category;
- GPIL's domestic prices show different prices by GSM category;
- GPIL's costs of production per MSF unit were submitted separately for each GSM category; and
- no other product characteristics appeared to affect price or cost of production.

Another factor found to be relevant to ensuring proper comparison of models is the grade of the products. GPIL export sales to Australia were all standard grade products whereas its domestic sales of like goods were standard grade and off-

grade products. The verification team considers the off-grade product is not comparable to standard grade product.

3.3 The goods exported to Australia

The verification team was satisfied that GPIL produced and exported the following GSM's of the goods to Australia during the investigation period:

- 360 GSM
- 380 GSM
- 420 GSM

3.4 Like goods sold on the domestic market

The verification team was satisfied that GPIL 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:

- 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, and the costs of production for models sold domestically and for export are the same);
- 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
- can be considered functionally alike, as they have similar end uses.

GPIL sold like goods on the domestic market with the following GSM's during the investigation period:

- 360 GSM
- 380 GSM
- 400 GSM
- 420 GSM

3.5 Like goods – assessment

The verification team considers that the goods produced by GPIL 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 Act.

4 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 (noting this exercise was completed separately for 2018 and 2019):

- GPIL's detailed sales listing for export and domestic sales were reconciled to sales summary reports;
- Sales summary reports were reconciled to revenue figures for product groups and profit centres, which included the goods and like goods;
- The revenue figures for the product groups and profit centres reconciled, with immaterial discrepancies, to the net sales figures in the audited financial statements.

The verification team did not identify any material issues during this process. However, amendments to the upwards reconciliation exercise were required to reflect the exceptions resolved in Section 5 below. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by GPIL, including the amendments outlined in the exception table in Section 5 below, is complete and relevant.

5 VERIFICATION OF SALES ACCURACY

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**.

5.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	Export sales listing contained inaccurate calculations of overseas freight for some transactions.	GPIL revised export sales listing to include corrected ocean freight amounts.
2	Export sales for 2019 did not contain calculations of royalties.	GPIL revised royalty calculations for 2019.
3	Export sales listing contained a small number of credit notes that could not readily be applied to particular products.	The verification team revised export sales listing to exclude credits.
4	Export sales listing contained a small number of transactions with inaccurate quantities.	GPIL revised export sales listing to include corrected quantities.
5	Domestic sales listing contained a small number of transactions with inaccurate quantities.	GPIL revised domestic sales listing to include corrected quantities.
6	Domestic sales listing contained a small number of credit notes that could not readily be applied to particular products.	The verification team revised domestic sales listing to exclude credits.
7	Domestic sales listing contained some inaccurate calculations of inland freight.	GPIL revised domestic sales listing to include corrected inland freight amounts.
8	Domestic sales listing contained domestic commissions.	GPIL revised domestic sales listing to remove the commission as it did not apply to like goods.
9	Domestic direct selling expenses were calculated incorrectly	GPIL revised the calculation.

Table 1 Exceptions during verification of accuracy of sales data

5.2 Sales accuracy finding

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

6 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 of 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 to make (CTM) data as follows (noting this exercise was completed separately for 2018 and 2019):

- GPIL's detailed CTM data (provided by GSM by quarter) was reconciled to summary production cost figures by product groups;
- Summary production cost figures by product groups were reconciled to cost of goods sold (COGS) for the relevant profit centre;
- COGS for the relevant profit centre was reconciled with COGS in the audited financial statements;
- Production volumes (used in calculating unit costs) were traced to source production records.

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

- reconciled the GPIL's SG&A expenses as submitted to the income statements for relevant profit centres; and
- reconciled the SG&A expenses for the relevant profit centres to the SG&A reported in the audited financial statements.

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

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

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

7.1 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 GSM's, 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**.

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

Cost item	Method applied
Raw Materials	Weighted average of actual raw material costs incurred in relation to goods produced in the West Monroe and Macon mills, allocated on basis of production quantity. Unit amounts were calculated per ton and converted to amounts per MSF, for each GSM.
Direct Labour	Weighted average of actual direct labour costs incurred in relation to goods produced in the West Monroe and Macon mills, allocated on basis of production quantity. Unit amounts were calculated per ton and converted to amounts per MSF, for each GSM.
Manufacturing Overheads	Weighted average of actual manufacturing overheads incurred in relation to goods produced in the West Monroe and Macon mills, allocated on basis of production quantity. Unit amounts were calculated per ton and converted to amounts per MSF, for each GSM.

Table 2 Cost allocation method

7.2 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**.

7.3 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by GPIL, is accurate and reasonably reflects the costs associated with the production and sale of the goods under consideration.

8 EXPORT PRICE

8.1 The importers

In relation to the goods exported to Australia by GPIL, 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.

8.2 The exporter

The verification team considers GPIL to be the exporter of the goods², because:

- invoices identified the seller of the goods as GPIL;
- packing lists identified GPIL as the supplier;
- bills of lading identified the shipper/exporter as GPIL;
- certificates of origin identified GPIL as the supplier of the goods that were produced entirely in the USA;
- GPIL is the manufacturer of the goods exported to Australia from the USA;
- GPIL negotiates the price with Australian customers and is aware of the Australian destination; and
- GPIL arranged transport for the goods to its customers in Australia.

The verification team is satisfied that for all Australian export sales during the period that GPIL was the exporter of the goods.

8.3 Arms length

8.3.1 Related customer

In respect of GPIL's export sales of the goods to its related customer in Australia during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price 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.³

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

³ Section 269TAA refers.

The verification team therefore considers that all export sales to Australia made by GPIL to its related customer during the period were arms length transactions.

In reaching this finding, the verification team examined the price negotiation process between GPIL and its related customer in Australia, including a range of factors affecting price.

8.3.2 Unrelated customer

In respect of GPIL's small number of Australian sales of the goods to an unrelated customer during the investigation period, the verification team found no evidence that:

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

The verification team therefore considers that all export sales made by GPIL to its unrelated Australian customer during the period were arms length transactions.

8.4 Export price – assessment

In respect of Australian sales of the goods by GPIL, the verification team recommends 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 verification team's preliminary export price calculations are at **Confidential Appendix 1**.

⁴ Section 269TAA refers.

9 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).

9.1 Arms length

9.1.1 Unrelated customers

In respect of GPIL's domestic sales of like goods to its unrelated customers during the 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 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 price⁵.

The verification team therefore considers that all domestic sales made by GPIL to its unrelated domestic customers during the period were arms length transactions.

9.1.2 Related customers

GPIL did not make any domestic sales of like goods to related parties during the investigation period.

9.2 Ordinary course of trade

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

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁶

The verification team tested profitability by comparing the price against the relevant cost for each domestic sales transaction. The CTMS data is at **Confidential Appendix 2**.

The team then tested 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 GSM over the period.

⁵ Section 269TAA of the Act refers.

⁶ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

The team tested recoverability by comparing the price 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
Cost	Quarterly CTMS, by GSM
Weighted average cost	Weighted average CTMS for the investigation period.

Table 3 OCOT details

9.3 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter’s domestic sales of like goods are taken to be in a low volume under section 269TAC(14) where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was five per cent or greater and therefore was not 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 (in this case, GSM) 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 (GSM) level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

This analysis is detailed in the table below.

PUBLIC RECORD

Export GSM	Is volume of domestic sales of same GSM 5% or greater as a proportion of export volume?	Basis of normal value
360	Yes	Domestic sales of 360 GSM
380	Yes	Domestic sales of 380 GSM
420	Yes	Domestic sales of 420 GSM

Table 4 Domestic volumes

The verification team's volume analysis is at **Confidential Appendix 3**.

10 ADJUSTMENTS

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

10.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Identified in REQ?	Adjustment required?
Level of trade	Like goods sold domestically were sold to converters and brokers. As the goods exported to Australia were only to converters, the domestic sales to brokers were not considered comparable to the exported goods.	Levels of trade were identifiable in the sales data. Domestic sales to the broker level of trade were set aside when calculating normal value.	Yes	Yes
Domestic credit terms	Credit terms have been be a consideration in determining price. Any difference in export and domestic credit terms will affect proper comparison of export price and normal value.	Domestic credit terms were based on the quoted credit terms because the proof of payment evidence for selected transactions demonstrated the quoted credit terms were generally observed. The interest rate was based on short term borrowings.	Yes	Yes
Export credit terms	Credit terms have been be a consideration in determining price. Any difference in export and domestic credit terms will affect proper comparison of export price and normal value	Export credit terms were based on the customer-specific accounts receivable turnover ratios because the evidence showed actual credit terms were different to the quoted credit terms.	Yes	Yes
Domestic inland freight	Domestic inland transport charges have been a consideration in determining price. Any difference in export and domestic inland transport charges will affect proper comparison of export price and normal value.	Domestic inland transport charges were calculated per ton, by customer, and converted to amounts per MSF. Evidence was provided to support the freight charge calculations.	Yes	Yes

PUBLIC RECORD

Export inland freight	Export inland transport charges have been a consideration in determining price. Any difference in export and domestic inland transport charges will affect proper comparison of export price and normal value.	The charges were based on total inland freight applicable to Australian exports allocated over total sales (by tons) and then converted to amounts per MSF. Extracts from the accounting system were provided as supporting evidence.	Yes	Yes
Domestic commission	During the verification, GPIL confirmed there were no commissions applicable to the like goods sold domestically.	N/A	Yes	No
Handling and other charges	Handling and other charges applicable to export and domestic sales were very similar per unit and therefore not likely to have affected price comparability.	N/A	Yes	No
Domestic direct selling expenses	Domestic direct selling expenses have been a consideration in determining domestic prices. This is not the case for export prices. That difference will affect proper comparison of export price and normal value.	GPIL provided evidence of a small number of domestic direct selling expenses. It allocated these expenses to domestic sales on the basis of sales volume.	Yes	Yes
Royalties	Royalties charged to the Australian importer have been a consideration in determining export price, whereas there is no such consideration in relation to domestic prices. That difference will affect proper comparison of export price and normal value.	GPIL provided copies of the relevant licensing agreement and the related invoices for royalty payments.	Yes	Yes

Table 5 Assessment of adjustments

10.2 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
Level of trade	Only domestic sales to converters were used in calculating normal value
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland freight	Deduct an amount for domestic inland freight
Royalties applying to exports	Deduct an amount for royalties related to exports
Domestic direct selling expenses	Deduct an amount for domestic direct selling expenses
Export inland freight	Add an amount for export inland freight
Export credit terms	Add an amount for export credit terms

Table 6 Summary of adjustments

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

11 NORMAL VALUE

The verification team 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. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The verification team has determined a preliminary 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 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 verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

12 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 GPIL for the investigation period is **49.2 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

13 APPENDICES AND ATTACHMENTS

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