



Exporter Verification Report

Verification & Case Details

Initiation Date	16/04/2020	ADN:	2020/039
Case Number	551		
The goods under consideration	A4 Copy Paper		
Case type	Review of Measures		
Exporter	International Paper do Brasil Ltda and International Paper Exportadora Ltda.		
Location	Remote verification		
Verification from	13/07/2020	to	27/11/2020
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

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

International Paper do Brasil Ltda. (IP Brasil) and International Paper Exportadora Ltda. (IPEX) have their head office in Sao Paulo, Brazil. IP Brasil and IPEX are indirect subsidiaries of International Paper Company (International Paper). International Paper is a publicly-traded (NYSE), global paper and packaging company, headquartered in the USA.

IP Brasil produces and sells A4 copy paper directly to the domestic market in Brazil and to other countries. IP Brasil's operations are integrated and has three manufacturing plants, all located in Brazil:

- Mogi Guaçu mill;
- Luiz Antonio mill; and
- Três Lagoas mill.

IPEX exports A4 copy paper, produced by IP Brasil under a manufacturing tolling agreement, to Australia and other countries. During the review period, IPEX exported A4 copy paper to unrelated customers in Australia.

1.2 Related parties

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

The verification team found that the exporter did not have any related party customers or suppliers of the goods during the review period.

1.3 Accounting records

IPEX's audited financial statement was audited by a major accounting firm and includes a statement that the financial accounts comply with the Brazilian and international auditing standards.

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

2 THE GOODS AND LIKE GOODS

2.1 Production process

IP Brasil is a manufacturer of pulp and uncoated papers, including A4 copy paper. A summary of the production process is as follows:

- *Logs to woodchips:* IP Brasil uses hardwood logs cut from eucalyptus trees, most of which are harvested internally in IP Brasil forests. Bark is removed from the logs in a debarking machine and converted to small woodchips via a chipping machine.
- *Woodchips to pulp:* The woodchips are cooked with water and other chemicals (including recycled white liquor) to separate cellulose fibres from lignin. This process produces brown pulp and black liquor (which is further processed to white liquor and reused in the woodchip cooking process). The brown pulp is washed and bleached to make white pulp.
- *Pulp to paper:* Water and various additives are added to the pulp to create pulp slush which is distributed over a wire web on the paper processing machines. Water is removed and the fibres begin to bond, forming a sheet. The sheet passes through a series of rollers that squeeze out water in a stage called pressing. The sheet proceeds to the drying section, where it passes through cylinders that use steam to evaporate most of the remaining water. During drying, dyes and other chemicals are added to control ink penetration. After drying and calendaring, the work-in-process consists of large reels of paper known as "parent rolls" or "jumbo rolls". The parent rolls are then cut to narrower "sheeter rolls" in a rewinding machine. On the sheeting line, the sheeter rolls are further processed to specific end use dimensions (i.e. A4) on a paper trimmer or cutter.
- *Packaging and finishing:* Cut-size sheets are organised into reams which are wrapped in labelled packaging. The finished paper is then delivered to the customer or to IP Brasil's distribution warehouse.

There are no significant differences in production process between the goods and like goods.

2.2 Model Control Codes

IP Brasil and IPEX provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/039 for the weight category of the MCC.

However, IP Brasil did not use the MCC identifiers for recycled content category of the MCC in their sales and cost data but simply stated "Y" to indicate the paper contained recycled content. Accordingly, the verification team considered it necessary to make the following amendment to the domestic sales and cost data.

No.	Exception	Resolution
1	IP Brasil provided MCC categorisation in their domestic sales and cost data in the REQ. An	The verification team sought an explanation from

No.	Exception	Resolution
	examination showed that for goods that contained some recycled content, the sub-categorisation had not used the identifiers defined in the MCC but simply stated “Y” (instead of “R100”, “R50”, “R30” or “R10”). The MCC sought information on the amount of recycled content not simply whether or not there was recycled content.	IP Brasil confirmed the relevant identifier with supporting evidence. The verification team amended the domestic sales and cost data accordingly.

Table 1 Amendment of MCC categorisation used

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration (GUC), the verification team considers it is not necessary to make amendments to the MCC structure.

2.3 Verification of MCCs

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

Category	Determination of the sub-category
Weight	Determined with reference to the description on customer’s purchase order, commercial invoice and bill of lading.
Recycled content	Determined with reference to the relevant marketing/product brochures and product pages on the company’s website.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

The verification team was satisfied that via a tolling agreement with IPEX, IP Brasil produced, and IPEX exported the goods to Australia. IPEX exported the goods to Australia with the following MCCs during the review period:

- 80-N
- 90-N

2.5 Like goods sold on the domestic market

The verification team was satisfied that IP Brasil produced and sold like goods in the domestic market that are like the goods exported by IPEX to Australia.

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** – are not distinguished from the exported goods during production. The exported goods and the 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;

- **Production likeness** – are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- **Commercial likeness** – the goods compete in the similar market sectors, are interchangeable and use similar distribution channels; and
- **Functional likeness** – can be considered functionally alike, as they have similar end uses.

IP Brasil sold like goods on the domestic market with the following MCCs during the review period:

- 80-N
- 80-R10
- 90-N

2.6 Like goods – assessment

The verification team considers that the goods produced by IP Brasil for domestic sale have characteristics closely resembling those of the goods IPEX 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

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 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:

- As IP Brasil and IPEX both record export sales their respective trial balances were combined to complete the upwards verification process.
- The verification team reconciled the value of total sales from the relevant trial balances in the audited financial statements to the income statement and sales ledgers.
- The verification team reconciled the value and volume of all pulp and paper products (pulp, folio, rolls and cut-size) including sales of the goods to the company's sales ledgers.
- The verification team reconciled the value and volume of the goods to the domestic and Australian sales listings.

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 IPEX and IP Brasil is complete and relevant.

4 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**.

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
2	One transaction from the Australian sales spreadsheet was reported as cost, insurance and freight (CIF) incoterms but no marine insurance was recorded.	The verification team sought an explanation from the exporter which reported that there had been an allocation error made with respect to the insurance and ocean freight charges. The exporter provided a revised export sales spreadsheet with the allocations corrected.
3	One transaction from the Australian sales spreadsheet used a foreign exchange rate from the third quarter when the date of the sale was in the fourth quarter. This potentially indicated that either the foreign exchange rate or the date of the transaction was wrong.	The verification team sought an explanation from the exporter who advised that the date of the transaction was incorrectly reported. This was verified against the commercial invoice and other source documents. The verification team revised the date which moved the sale from the fourth quarter to the third quarter.
4	During the verification process, IPEX made a minor revision to their unit packaging costs but did not update the Australian sales listing accordingly.	The verification team updated the unit packaging cost to reflect the verified numbers and converted it from a per kilogram to a per tonne basis. The verification team calculated the packaging costs for each transaction in the Australian sales listing resolving the underreporting issue.
5	During the verification process, the verification team observed that there were transactions in the domestic sales listing without quantity but with gross invoice and tax values. Due to the zero volume reported, these values did not contribute to the weighted average unit price for the affected customers.	The verification team sought an explanation from the exporter who advise that these related to earlier invoices that required either price or tax adjustments. The verification team combined the adjustment with an earlier invoice for the same product in the same month which resolved the issue.

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No.	Exception	Resolution
6	<p>During the verification process, the verification team was unable to verify the proof of payment to source documentation for certain domestic transactions to corresponding different customers. All other aspects of the transactions were verified.</p>	<p>The verification team sought an explanation from the exporter who unable to provide further source documentation. The verification team noted that the relevant customers combined represented less than one per cent of the volume sold over the review period. Given that other aspects of the transactions were able to be verified, the verification team consider the inability to verify proof of payment immaterial.</p>
7	<p>During the verification process, the verification team found that for two taxes the values reported in the domestic sales listing did not always match the values reported on the relevant commercial invoices. This meant that the total values reported for these two taxes were inaccurate.</p>	<p>The verification team sought an explanation from IP Brasil which confirmed that it was the result of a database error. The exporter submitted a revised version of the domestic sales listing resolving the issue.</p>
8	<p>In the domestic sales listing, for some transactions the unit rebate rates were incorrectly reported, resulting in the net invoice price being overstated.</p> <p>IP Brasil demonstrated how they calculated the unit rebate rates for domestic transactions. During the verification process, the verification team was unable to verify the unit rebate rate for a customer in the rebate calculation worksheet. These unit rebate rates were also reported in the domestic sales listing. However, due to revisions during the verification process, the unit rebate rates used in the domestic sales listing did not match the verified unit rebate rates from the calculation worksheet for a few customers.</p>	<p>The verification team revised all unit rebate rates to positive values which resolved the net invoice price calculation.</p> <p>The VT updated the unit rebate rate for the customer in the calculation worksheet and then revised the domestic sales listing to match the verified unit rebate rates for the other relevant customers resolving the issues.</p>
9	<p>During the verification process, IP Brasil made a minor revision to their unit packaging costs but did not update the domestic sales listing accordingly. IP Brasil also calculated the total packaging cost by multiplying the unit packaging cost (in kilograms) by the quantity (in metric tonnes). Since the unit cost and quantity did not share a common unit of measure, the total packaging costs were</p>	<p>The verification team updated the unit packaging cost to reflect the verified numbers and converted it from a per kilogram to a per tonne basis. The verification team calculated the packaging costs for each transaction in the domestic sales listing resolving the underreporting issue.</p>

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No.	Exception	Resolution
	underreported by a factor of a thousand.	

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 IP Brasil and IPEX, 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 (CTM) 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 data as follows:

- The total cost of goods sold (COGS) was reconciled from the 2019 income statement to the trial balance included in the 2019 audited financial statements.
- No timing adjustment was required to be made to the COGS given the accounting period and the review period are the same.
- Several cost adjustments were made to convert the COGS to cost of production, including change in finished goods inventory.
- The total production cost and volume, as well as the costs and volumes for various products (pulp, folio, rolls and cut-size), was reconciled by tracing values via trial balance, accounting balance sheet, production cost reports, monthly mill reports to the relevant accounting ledgers.
- Then the total production cost and volume was reconciled to the CTMS information provided in the REQ.

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

- The total SG&A cost was identified in the income statement in supporting documents to the 2019 audited financial statement, which equals the amount for the review period.
- The total SG&A cost was reconciled to the trial balance and management accounts.
- The total SG&A cost was reconciled to the CTMS information provided in the REQ.

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 Exception during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
10	IP Brasil provided MCC categorisation in their domestic CTM data in the REQ. An examination showed that the sub-categorisation for weight was incorrectly reported instead of following the identifiers defined in the MCC.	The verification team revised the identifiers to correctly correlate to the respective weights.
11	IP Brasil provided MCC categorisation in their domestic CTM data in the REQ which included the cost to make for A3 paper which is not the goods under consideration.	The verification team excluded the costs related to the non-GUC goods from the domestic CTM data.
13	The SG&A listing included incorrect categorisation of indirect selling expenses.	The company submitted a revised SG&A listing which included the correct categorisation of indirect selling expenses which resulted in a change to the SG&A percentage.

Table 4 Exception during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by IP Brasil and IPEX, including any required amendments as outlined as an exception above, is complete and relevant.

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

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 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 5 outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw materials	Raw material costs were allocated on the basis of production quantity for the finished goods.
Scrap allocation	Scrap paper is re-introduced into production and no scrap offset was applied to the costs in the company's records nor in the CTMS information.
Manufacturing overheads	Manufacturing overheads costs were allocated on the basis of production quantity for the finished goods.
Direct labour	Direct labour costs were allocated on the basis of production quantity for the finished goods.
Depreciation	Depreciation costs were allocated on the basis of production quantity for the finished goods.
Raw materials	Raw material costs were allocated on the basis of production quantity for the finished goods.

Table 5 Cost allocation method

6.2 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 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**.

6.3 Exceptions during verification of accuracy of CTMS data

No.	Exception	Resolution
12	The exporter provided a raw materials purchase listing (G-7) in the REQ. An examination of this G-7 raw materials purchase listing showed it did not include key raw materials.	The verification team sought further information from the exporter who submitted SAP inventory ledgers for the key raw materials.

Table 6 Exceptions during verification of accuracy of CTMS data

6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by IP Brasil and IPEX, 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 importer

The verification team considers IPEX's Australian customers to be the beneficial owners of the goods at the time of importation and therefore the importers as they are:

- named on the commercial invoice and shipping instructions as the customers;
- named as the consignees on the bill of lading,
- pay for all the importation charges; and
- arrange delivery from the port.

7.2 The exporter

The verification team considers IPEX to be the exporter of the goods², as IPEX:

- arranges via a tolling agreement for IP Brasil to manufacture the goods;
- is named on the commercial invoice as the supplier;
- is named as consignor on the bill of lading;
- pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export;
- arranges and pays for the ocean freight and marine insurance.

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

7.3 Arms length

7.3.1 Unrelated customer

In respect of IPEX's Australian sales of the goods to its unrelated customers during the review 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 made by IPEX to its unrelated Australian customers during the review period were arms length transactions.

7.4 Export price – assessment

In respect of Australian sales of the goods by IPEX, 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**.

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 Unrelated customers

In respect of IP Brasil's domestic sales of like goods to its unrelated customers during the review 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 price.

The verification team therefore considers that all domestic sales made by IP Brasil to its unrelated domestic customers during the review period were arm's length transactions.

8.1.2 Level of trade adjustment

The Commission identified that the exporter's Australian sales during the review period were solely to a distributor. The exporter's domestic sales during the review period were made to both distributors and retailers. After examination of the prices paid between domestic sales to distributors and retailers, the verification team considered no level of trade adjustment was required for the purpose of calculating a normal value.

8.2 Ordinary course of trade

Section 269TAAD 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.⁴

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

⁴ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.

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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 MCC over the review period.

The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the review 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 review period.

Table 7 OCOT details

8.3 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 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.

This analysis is detailed in the table below.

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Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
80-N	Y	Domestic sales of 80-N
90-N	Y	Domestic sales of 90-N

Table 8 Domestic volumes

The verification team's volume analysis 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 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 marketing	IP Brasil incurred marketing expenses on behalf of its customers.	Weighted average unit value based on the total advertising expense for each customer and total quantity sold and invoice quantity. An examination of the marketing or advertising expenses showed they related to promoting the company and/or its products generally, rather than exclusively for white A4 copy paper. The verification team therefore do not consider this to be an allowed adjustment.	Yes	N
Domestic royalty fee	IP Brasil paid a royalty fee regarding a licensed technology trademark.	Royalty fee rate multiplied by the net invoice price.	Yes	Y
Domestic credit terms	IP Brasil offered credit terms for domestic customers.	The domestic credit rate is based on the short term borrowing rate applied to the weighted average number of payment days.	Yes	Y
Domestic inland transport	IP Brasil incurred inland transport expenses for certain domestic sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Yes	Y
Domestic Handling & Other	IP Brasil incurred handling & other expenses for all domestic sales.	Weighted average unit value based on the total handling & other costs and invoice quantity.	Yes	Y
Domestic logistical expenses	IP Brasil incurred delivery expenses regarding	Weighted average unit value based on total expenses incurred and	Yes	Y

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
	warehousing for all domestic sales	quantity sold over the review period		
Export royalty fee	IP Brasil paid a royalty fee regarding a licensed technology trademark.	Royalty fee rate multiplied by the net invoice price.	Yes	Y
Export inland transport	IP Brasil incurred inland transport expenses for all Australian sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	Yes	Y
Export port handling charges	IP Brasil incurred port charges for exports of the goods.	Weighted average unit value based on actual handling cost and invoice quantity.	Yes	Y
Export credit terms	IP Brasil offered credit terms for Australian customers.	The export credit rate is based on the short term borrowing rate applied to the weighted average number of payment days. The verification team calculated export credit amounts based on the credit terms and the same interest rate used in the domestic credit term calculation.	Yes	Y

Table 9 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 terms
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic handling & other	Deduct an amount for domestic handling & other
Domestic logistical expense	Deduct an amount for domestic logistical expense
Domestic royalty fee	Deduct an amount for royalty fee
Export royalty fee	Add an amount for export royalty fee
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for export port handling charges

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Adjustment Type	Deduction/addition
Export credit terms	Add an amount for export credit terms

Table 10 Summary of adjustments

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

10 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 9 above.

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

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 under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by IPEX for the review period is **25.7 per cent**.

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

12 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