



Investigation 554

Concrete Underlay Film exported to Australia from Malaysia

Variable factors assessment – L&L Trading Enterprise Sdn Bhd

Verification

The Commission conducted a remote benchmark verification of L&L Trading Enterprise Sdn Bhd (L&L Trading)'s response to exporter questionnaire (REQ).

Based on the information examined, the verification team is satisfied that L&L Trading is the manufacturer and exporter of the goods. The verification team is further satisfied that the information provided by L&L Trading, including any required amendments as outlined as an exception, is accurate and reliable for the purpose of ascertaining the variable factors applicable to L&L Trading's exports of the goods.

A summary of the preliminary findings of the verification team are detailed below.

Exceptions encountered during the verification

No.	Exception	Resolution
1	<p><u>Variance in the CTM allocated to all goods and the COGS as per draft audit financial statement</u></p> <p>From the 'upward costs' reconciliation, it was identified that there was a material variance in the total CTM of all GUC and non-GUC and the COGS figure in the draft audit financial statement. L&L Trading was unable to provide relevant information to reconcile or explain this variance, while the verification team found that this variance was the result of certain production costs not being allocated based on 'actual costs'.</p>	<p>The verification team has made an adjustment for the difference between standard and actual costs.</p> <p>Specifically, the verification team has uplifted the CTM by the % variance between the actual production costs incurred in the period and the costs allocated to all products, for the purpose of ensuring that the costs allocated to the goods are reflective of the actual production costs incurred during the investigation period.</p>
2	<p><u>Revised cost and sales listings and MCC categories</u></p> <p>In its REQ, L&L Trading reported Australian export sales of specifications outside of the scope of the goods under consideration (i.e. orange and virgin concrete underlay film, concrete underlay film of less than 150 micron thickness and concrete underlay film of greater than 230 micron thickness). Likewise, domestic sales and cost data was reported for a range</p>	<p>L&L Trading updated their costs and sales spreadsheets to exclude products outside the scope of the investigation.</p> <p>The verification team was satisfied that the revised cost and sales listings pertained only to those goods relevant to the investigation.</p>

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	<p>of products not subject to the investigation, including for ‘garbage bags’ and ‘antifoam’.</p> <p>Noting these issues, L&L Trading was requested to update their cost and sales data, to clarify those products that were considered to be relevant to the investigation.</p>	<p>Based on the revised sales listings and the revisions to the MCCs as set out in the exceptions below, the revised MCCs applicable to L&L Trading’s costs and sales are as follows:</p> <p>Models exported to Australia:</p> <ul style="list-style-type: none"> • O-A1-N1 • M-A2-N2 • H-A2-N2 <p>Models sold in the domestic market:</p> <ul style="list-style-type: none"> • O-A2-N2
3	<p><u>Revised MCCs – Domestic sales – thickness</u></p> <p>The verification team observed that in its REQ, L&L Trading classified all sales of like goods sold in the domestic market as ‘L-A0-N0’. However, after assessing the physical attributes of these goods, the verification team found that the MCC subcategories for thickness had been misreported, with these sales falling into the MCC subcategories of ‘A2-N2’.</p>	<p>To correct the misclassification of the domestic sales and costs, the verification team updated the MCCs for all domestic sales of like goods. The updated MCC classification accurately reflects the actual/nominal thickness of the goods sold. Furthermore, for the reasons set out below, all domestic sales have been reclassified as MCC: ‘O-A2-N2’.</p>
4	<p><u>Revised MCCs – Additional subcategory for impact resistance</u></p> <p>The verification team found that for all Australian sales of the goods with a thickness less than 180 microns, the goods were not tested and sold based on the impact resistance. Likewise, all L&L Trading’s domestic sales of like goods were not tested and sold based on the impact resistance of those goods.</p>	<p>The verification team has proposed amending the MCC categories, by adding an additional subcategory “O” – “Other”, for sales that were not sold according to the impact resistance of the goods. The revised MCC subcategories for impact resistance are outlined below.</p>
5	<p><u>Foreign currency rates</u></p> <p>The verification team noted that there was a material variance in the foreign currency rates provided in L&L Trading’s B-2 Sales listing from officially published rates.</p>	<p>The verification team has relied on the published rates from rba.gov.au, for the purpose of assessing the variable factors.</p>

Table 1: Exceptions from the verification

Amendments to MCCs

Category	Sub-Category	Identifier	Domestic sales?	Australian sales?
Impact Resistance	Other – Construction / Industrial grade	O	Y	Y
	Medium	M	N	Y
	High	H	N	Y

Table 2: Amendments to the sales MCCs – Impact resistance

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Export price

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

The verification team considers L&L Trading to be the exporter of the goods as L&L Trading:

- is the manufacturer of the goods;
- is named on the commercial invoice as the supplier;
- 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 (where applicable).

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

The verification team found that all L&L Trading's Australian exports of the goods were to unrelated parties.

In respect of L&L Trading's Australian sales of the goods during the period, the verification team found no evidence that:

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

The verification team therefore considers that all export sales made by L&L Trading to its Australian customers, all of whom were unrelated, during the period were 'arms length' transactions.

In respect of Australian sales of the goods by L&L Trading, the verification team has determined an export price under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Normal value

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 sales was less than five per cent. The verification team has considered whether this volume is still large enough to permit a proper comparison for the purposes of determining a normal value under section 269TAC(1).

The verification team notes that the total volume of sales is well below 5% and that there are differences in the models sold domestically and those exported to Australia. Additionally, there was not a material volume of sales for domestic

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consumption in all quarters during the relevant period and the verification team considered that it had insufficient information to make specification adjustments for differences in sales in accordance with section 269TAC(8).

Therefore, the verification team is not satisfied that the volume of relevant sales is large enough to permit a proper comparison for the purposes of assessing a dumping margin.

The verification team has therefore calculated a normal value under section 269TAC(2)(c) using the sum of:

- the cost to make of the exported goods based on the company's records in accordance with section 43(2) of the Regulation;
- domestic SG&A on the assumption that the goods, instead of being exported, were sold domestically based on the company's records in accordance with section 44(2) of the Regulation; and
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT¹ in accordance with section 45(2) of the Regulation.

Adjustments

In constructing normal values under 269TAC(2)(c), the verification team considers that certain adjustments in accordance with section 269TAC(9), are necessary to ensure a fair comparison of normal values and export prices.

Adjustment Type	Deduction/addition
Export packaging	Add an amount for export packaging cost
Export handling	Add an amount for export handling charges
Export inland transport charges	Add an amount for export inland transport charges
Other export expenses	Add an amount for other export expenses
Export credit costs	Add an amount for export credit charges

Table 3: Summary of adjustments – L&L Trading Enterprise Sdn Bhd

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 L&L Trading for the investigation period is **23.2%**.

¹ 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. For the purposes of this investigation, the "extended period" and "reasonable period" are considered to be the investigation period.