



Investigation 554

Concrete Underlay Film exported to Australia from Malaysia

Variable factors assessment – Plastik V Sdn Bhd

Verification

The Commission conducted a remote benchmarking verification of Plastik V Sdn Bhd (Plastik V)'s response to Exporters' questionnaire (REQ).

Based on the information examined, the verification team is satisfied that Plastik V is the manufacturer and exporter of the goods. The verification team is further satisfied that the information provided by Plastik V, including any required amendments as outlined as an exception, is accurate and reliable for the purpose of ascertaining the variable factors applicable to Plastik V'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>Upwards costs reconciliation and completeness of direct labour costs allocated to the goods</u></p> <p>The verification team was unable to reconcile the costs reported upwards to Plastik V's financial records based on the information provided in Plastik V's REQ.</p> <p>To assess the costs data further, the verification team benchmarked Plastik V's costs reported for its production of the goods against other exporters' data and sought further information from Plastik V to understand the nature of the variance in the total costs reported.</p> <p>While the verification team remained unable to accurately reconcile Plastik V's cost data upwards from the information provided, the verification team considered that the major variance related to the direct labour costs reported for the goods.</p> <p>From the benchmarking of Plastik V's cost data to other exporters, the verification team also</p>	<p>Plastik V confirmed the total direct labour costs incurred in the period, while describing that it was unable to provide evidence to confirm the direct labour costs specific to the subject goods.</p> <p>From this information, it was confirmed that Plastik V's total direct labour costs had not been allocated across all products in the data reported in its REQ.</p> <p>Plastik V described that it may be suitable to reallocate the direct labour costs to the goods, as a proportion of all products produced, but also that it considered the variance could be allocated to other products, as these represented a more significant proportion of Plastik V's manufacturing operations.</p> <p>While the verification team did not accept this proposed methodology, it considered that the information provided by Plastik V was sufficient to verify the total direct labour costs for all products, while noting the apparent limitations of</p>

PUBLIC RECORD

	<p>identified a material variance between the direct labour costs reported by Plastik V, compared with other exporters.</p> <p>Based on this analysis, the verification team did not consider the direct labour costs reported to be reliable.</p> <p>However, in relation to the benchmarking of other costs reported (raw materials, overheads, SG&A) and examination of the cost data, the verification team considered these costs to be reasonably in line with costs reported by other producers of the goods.</p> <p>As such, the costs reported in relation to Plastik V's other cost components were considered to reasonable reflect the cost of production for the goods, and have therefore been accepted.</p>	<p>Plastik V's accounting system to allocate direct labour costs at a product level for the goods.</p> <p>Having regard to these factors, the verification team reallocated direct labour costs to the goods, based on the sales revenue of the goods as a percentage of the total sales revenue of all products manufactured by Plastik V.</p> <p>The verification team considered that it was suitable to use the proportion of sales revenue as the basis for allocating labour costs, given that the quantity for the goods was reported based on sales, and due to differences in products manufactured by Plastik V, such that it appeared less suitable to use the production quantity as the basis to allocate labour costs.</p> <p>Having regard to the benchmark costs findings and reallocation of direct labour expenses as outlined above, the verification team considers Plastik V's cost data to be complete and relevant.</p>
<p>2</p>	<p><u>Accuracy of quantities reported in cost data</u></p> <p>The verification team found that Plastik V reported different volumes in weight in its sales and costs data in relation to production and sales of identical products (i.e. goods of the same quantity in rolls and specifications).</p> <p>The verification team sought clarity from Plastik V, and it was confirmed that the quantities in the costs data had been overstated and were not reflective of the finished goods volumes of the goods. This had the effect of under-allocating production costs to the goods, as the costs were allocated across a larger quantity than what was actually produced.</p>	<p>Plastik V updated its costs data to address this issue.</p> <p>The verification team is satisfied that the same methodology has now been applied for the purpose of ascertaining the weight in the sales and costs data.</p> <p>As such, the verification team is satisfied that the revised volumes are reliable for the purpose of ascertaining the variable factors for Plastik V.</p>

Table 1: Exceptions from the verification

Export price

The verification team considers Plastik V to be the exporter of the goods as Plastik V:

- 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 and insurance (where applicable).

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

PUBLIC RECORD

The verification team found that all Plastik V's Australian exports of the goods were to unrelated parties.

In respect of Plastik V's Australian exports 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 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.

The verification team therefore considers that all export sales made by Plastik V 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 Plastik V, 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 found that Plastik V did not have any domestic sales of like goods during the investigation period. The verification team considered whether the normal value could be ascertained under 269TAC(1), having regard to sales by other sellers of like goods.

The verification team notes that sales by other sellers were of low volume and that there are differences in the models sold domestically by other sellers and those exported to Australia by Plastik V. Additionally, there was not a material volume of sales for domestic consumption in all quarters during the relevant period. Further 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 recommends that the normal value could instead be ascertained 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;
- an amount for SG&A in accordance with section 44(3)(c) of the Regulation, having regard to Plastik V's indirect SG&A costs as a percentage of revenue for all sales (as SG&A costs were not segregated by product/market), and applying this proportion to calculate the SG&A, based on the sales revenue and quantity of the goods exported to Australia; and

PUBLIC RECORD

- an amount for profit based on the weighted average of the amounts realised by other exporters or producers from the sale of like goods in accordance with section 45(3)(b) of the Regulation.

While Plastik V had domestic sales of other products during the period, Plastik V's SG&A related to both domestic and export sales and was not segregated by product type. Additionally, the verification team did not have relevant information to assess Plastik V's production costs applicable to goods of the same general category that were sold on the domestic market. Given this, the verification team was unable to ascertain an amount for SG&A under section 44(3)(a) of the Regulation, or profit under section 45(3)(a) of the Regulation, having regard to the information available.

In relation to Plastik V's SG&A costs, the verification team considers that indirect selling expenses reported were relevant equally to both domestic and export sales, while reflecting those expenses applicable to Plastik V, based on its commercial operations. As such, the verification team considers Plastik V's SG&A costs to be relevant for the purpose of ascertaining an amount for SG&A under section 44(3)(c) of the Regulation.

Adjustments

The verification team is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(9). The verification team considers these adjustments to be 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

Table 2: Summary of adjustments – Plastik V Sdn Bhd

Dumping margin

Normal values were not determined as part of the verification process, given that Plastik V did not have sales of like goods for home consumption in the relevant period.

As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by Plastik V during the investigation period. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.