



Exporter Verification Report

Verification & Case Details

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Case Number	554		
The goods under consideration	Concrete Underlay Film		
Case type	Dumping Investigation		
Exporter	Great Cosmo Industries Sdn Bhd		
Location	Remote verification (video conference)		
Investigation Period	1/07/2019 to 30/06/2020		

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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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.

1 COMPANY BACKGROUND

1.1 Company overview

Great Cosmo Industries Sdn Bhd (GCI) is a private company that specialises in the manufacturing of polyethylene film (underlay film/builders film) of various specifications (including the goods under investigation and non-subject goods), other plastic products and also sells hardware and building materials.

During the investigation period, GCI produced and sold certain black concrete underlay film (the goods) for export to Australia and had sales of like goods to third countries and for home consumption in Malaysia. GCI did not act as a trader for black concrete underlay film.

As part of the virtual verification, GCI provided relevant information to demonstrate its production facilities for the goods and to demonstrate that it was the manufacturer of the goods exported to Australia in the period.

1.2 Related Parties

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

1.2.1 Related suppliers

Based on the costs verification as outlined at chapters 5 and 6 of this report, the verification team found that GCI sourced only a nominal volume of raw materials from a related party during the investigation period.

Additionally, as outlined in section 6.5 of this report, the verification team was satisfied that the purchases reflected competitive market costs and therefore does not consider it necessary to make any changes to the production costs allocated to the goods, as a result of these transactions.

1.2.2 Related customers

Based on the sales verification as outlined in chapters 3 and 4 of this report, the verification team was satisfied that GCI did not have any related party customers of the goods or like goods during the investigation period.

1.3 Accounting records

GCI's most recently finalised financial statement was audited and includes a statement that the financial accounts comply with Malaysian Private Entities Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Based on GCI's financial records and the information examined, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Malaysia.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

GCI's production process for the goods is the same for domestic and export sales. The production process can be summarised as follows:

- Pelletised raw materials are blended and transferred into the extrusion hopper;
- The goods are produced via a blown film extrusion process, which can control for different specifications during production e.g. thickness;
- The blown film extrusion process creates a bubble which is collapsed onto a cooling tower, with the goods being flattened into polyethylene film.
- Once the goods come down the cooling tower, the goods are subject to internal quality assurance processes, with testing and branding occurring based on customer specifications.
- The underlay film is wound onto a cardboard core, packaged, and typically palletised for distribution; and
- Scrap that is produced during production is recycled back into the production process.

2.2 Model Control Codes (MCCs)

2.2.1 GCI's claims concerning the preliminary MCC structure

GCI provided sales 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. 2020/073, but with an additional MCC subcategory for 'impact resistance' under identifier 'L' in the Australian and domestic sales listings. It was described that 'L' had been used as an additional identifier for underlay films that did not pass the impact resistance test.

Secondly, GCI reported cost data in its REQ, based on a single MCC for all 'recycled resin black underlay'.

In its REQ, GCI explained that GCI only differentiate different products based on the raw materials. Based on this, GCI asserted that the MCC categories should be reclassified as:

- Recycled resin underlay; and
- Virgin resin underlay.

2.2.2 Assessment of GCI's claims

MCCs reported for sales

For GCI's exports to Australia in the investigation period, the verification team found that all exports of the goods were sold as either medium impact resistance or high impact resistance underlay film, and that differences in pricing were observed.

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By contrast, the verification team found that GCI's sales of like goods for home consumption were not differentiated based on the impact resistance and that testing for impact resistance is not required for the domestic market.

MCCs reported for costs

The verification team found that the goods exported to Australia in the investigation period and like goods sold for home consumption were all manufactured using recycled resin. Additionally, the verification team did not identify material cost differences for these sales, such as cost differences between different models.

2.2.3 Amendments to MCCs

Based on the analysis of the price differences for the goods exported to Australia, the verification did not consider that a change to the MCC categories was required with regard to those sales. However, given that GCI's domestic sales of like goods were not similarly tested and sold according to the impact resistance of the goods, the verification team considered it was necessary to add an additional MCC subcategory "O" – "Other", for sales that were not sold according to the impact resistance:

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

Table 1 Amendments to the sales MCCs – Impact resistance

Secondly, based on the verification of GCI's costs, the verification team considered that a change to the MCC categories was required and has accepted GCI's allocation of costs to the goods under a single allocation methodology, namely for all "recycled black underlay film".

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
Impact resistance	Based on the product description on commercial documentation (e.g. purchase order, commercial invoice, packing list), test batch samples and production records (where applicable).
Actual Thickness	Based on the verification of batch test samples.
Nominal thickness	Based on the product description on commercial documentation (e.g. purchase order, commercial invoice, packing list) and production records.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

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

- **H-A2-N2**
- **M-A2-N2**

2.5 Like goods sold on 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** – are manufactured to the same or similar physical properties, i.e. black underlay film with a thickness ranging between 150-230 micron, and a width from 2-6 metres. The exported goods and 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 same market sector, are interchangeable and use similar distribution channels; and
- **Functional likeness** – can be considered functionally alike, as they may have similar end uses, subject to individual customer requirements.

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

- **O-A2-N2**

2.6 Like goods – assessment

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

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 Response to 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:

- GCI's sales revenue was reconciled to the most recent audited financial statement and to monthly income statements, the company's trial balance and accounting system for the most recent accounting period and the investigation period;
- The revenue for the investigation period was matched to GCI's sales report, which included all products sold in the period (goods under consideration and non-subject goods). The verification team tested different parameters of GCI's sales report to confirm its reliability; and
- GCI demonstrated the methodology used to classify sales by 'product group', 'product', 'market' and 'country' and identified all information that had been manually reported in the sales listings for the goods. The verification team examined further information and selected further samples of different product types to confirm the completeness and relevance of the sales data provided.
- The verification team reconciled the sales volumes reported in the REQ for rolls and weight to the sales report and accounting system (where applicable). The verification team further tested the methodology used to report the sales volume in weight, given that this had been manually reported.

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**.

3.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	<p><u>Classification of the 'sales market' for sales to a trading entity</u></p> <p>From the product codes in the sales report, relevant source documentation (e.g. purchase orders, logistics invoices) and other information available such as ABF Import Data, it was identified that certain sales of the goods to an unrelated domestic trading entity should be treated as export sales, rather than domestic sales of like goods for home consumption.</p>	<p>GCI revised their sales listing, with all such sales reclassified as export sales to Australia.</p> <p>The verification team confirmed to source documentation that all such sales were exported to Australia and considers the revised sales listings to be reliable.</p>
2	<p><u>Classification of Australian sale as non-subject goods</u></p> <p>From the testing of sales listed as non-subject goods, it was identified that one sale of black underlay film within the scope of the investigation had been incorrectly classified as orange underlay film.</p>	<p>GCI revised their sales listing, to reclassify the sale as the subject goods.</p> <p>The verification team was satisfied that this sale was an outlier, which had been inadvertently excluded from the sales listing. As such, no further action was required.</p>
3	<p><u>Classification of "L" impact resistance – Australian sales</u></p> <p>In its REQ, GCI stated that it had Australian sales of impact resistance "L".</p> <p>However, having regard to the methodology used to classify sales, it was identified that the Australian sale classified as "L" impact resistance was of a thickness outside the scope of the goods under investigation, which is why it had been classified differently.</p>	<p>GCI removed this sale from their sales listing and reclassified the sale as non-subject goods.</p> <p>The verification team was satisfied that this sale was an outlier, which had been inadvertently included in the sales listing. As such, no further action was required.</p>

Table 3 Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by GCI, including any required amendments as outlined in the exception table above, 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
1	<p><u>Reporting of volume by weight</u></p> <p>From the upwards and downwards sales verification, it was identified that the volume by weight had been manually reported as the products were sold on a per roll basis. It was identified that there were inconsistencies with the methodology used to report the weight. As such, the verification team did not consider the weight reported in the sales listings to be reliable.</p> <p>The verification team had regard to further information – with GCI identifying that sales were invoiced based on the volume in rolls and that there were not material differences in the weight for domestic and export sales. Given this, it was proposed that the volume by weight should be ascertained based on a unified formula to derive a net theoretical weight. This method recognises the finished goods weight of the polyethylene film, excluding differences for the weight of the cardboard core and packaging.</p>	<p>Having regard to production and sales source documentation (e.g. commercial invoices, purchase orders, production sheets, weight calculation worksheets), the verification team considered that it was appropriate to have regard to the net theoretical weight, for consistency between the cost and sales data, for the purpose of ascertaining the variable factors for GCI.</p> <p>GCI updated all relevant worksheets, with additional information for the net theoretical weight.</p> <p>The verification team tested these changes and was satisfied that the amount reported was reliable.</p>
2	<p><u>Classification of 'impact resistance' – certain Australian sales</u></p> <p>From the downwards verification to source documents, it was identified that the MCC category for impact resistance was incorrectly reported in relation to Australian sales for one customer.</p>	<p>GCI revised the Australian sales listing, to reclassify the impact resistance for these sales.</p> <p>The verification team considers the revised classification to be accurate, based on the information verified.</p>

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3	<p><u>Payment terms reported – Australian and domestic sales</u></p> <p>Payment terms reported in the sales listings could not be reconciled to source documents for the sample transactions. Specifically, payment terms reported were not found to be consistent with the source documents verified (e.g. commercial invoices) and the payment days reported were therefore not considered to be reliable.</p>	<p>The verification team revised the payment terms in the Australian and domestic sales listings based on the information verified.</p>
4	<p><u>Allocation of direct selling expenses</u></p> <p>Direct selling expenses (e.g. inland transport and port handling costs) were allocated based on revenue.</p> <p>The verification team considered this methodology to be unreasonable, as all underlay film (e.g. black/orange/clear) should have comparable direct selling costs, regardless of the selling price.</p>	<p>GCI revised the direct selling expenses allocated to the goods.</p> <p>Where applicable, an amount for direct selling expenses has been allocated to other products sold (e.g. hardware) based on the revenue.</p> <p>Then all direct selling expenses relevant for underlay (black/orange/clear), have been allocated based on the sales quantity.</p> <p>The verification team considers this allocation methodology to be reasonable, based on the information verified.</p>
5	<p><u>Classification of direct selling expenses</u></p> <p>For certain export sales of the goods it was identified that port handling costs were reported within the inland transport expenses allocated to the sales.</p>	<p>GCI revised the direct selling expenses reported for these sales, based on the nature of those expenses.</p> <p>Direct selling expenses were verified downwards to source documents and the verification team was satisfied that direct selling expenses were accurately reported for these sales.</p>
6	<p><u>Reporting of thickness – domestic sales</u></p> <p>From the downwards verification of the domestic sales listing, it was observed that the nominal thickness was incorrectly stated for multiple sales.</p>	<p>GCI revised their sales listing, to correct the nominal thickness for the applicable sales.</p> <p>The verification team tested all remaining domestic sales and is satisfied that the nominal thickness reported in the revised sales listing is accurate for all sales in the period.</p>
7	<p><u>Classification of domestic sale</u></p> <p>From the downwards verification of the domestic sales listing, it was identified that one of the sales reported was of specifications outside the range of the goods subject to the investigation.</p>	<p>GCI removed this sale from their sales listing and reclassified the sale as non-subject goods.</p> <p>The verification team was satisfied that this sale was an outlier, which had been inadvertently included in the sales listing. As such, no further action was required.</p>

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8	<p><u>Classification of 'impact resistance' – domestic sales</u></p> <p>In its REQ, GCI reported domestic sales as impact resistance subcategory “L” or “M”. However, based on the verification of the production process, sales process and domestic sales downwards to source documents, the verification team found that relevant domestic sales in the period were not tested and sold according to the impact resistance of the goods.</p> <p>GCI subsequently claimed that the domestic sales should be reclassified as “M” impact resistance, given that they are produced to similar standards as the goods exported to Australia.</p>	<p>Based on the information examined, the verification team found that like goods sold for home consumption were not tested and sold according to the impact resistance.</p> <p>As outlined in section 2.2 of this report, the verification team has proposed adding an additional MCC subcategory “O”: Other – Construction / Industrial grade, for the impact resistance of these sales, given that they were not tested and sold in accordance with the impact resistance of the goods.</p>
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Table 4 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by GCI, 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 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:

- GCI's cost of goods sold was reconciled to the most recent audited financial statement and to monthly income statements, the company's trial balance and accounting system for the most recent accounting period and the investigation period;
- GCI's total cost of production for the period was ascertained by adjusting for the change in finished goods inventory;
- The total cost of production for the investigation period was reconciled to GCI's cost allocation worksheet, used to allocate production costs to the subject goods and other products. The total allocations for raw materials, direct labour and manufacturing overheads were found to be consistent for the relevant period;
- Adjustments to the cost of production were reconciled to relevant source documents. Specifically, the cost of production was uplift by an amount, for the purpose of reallocating certain production costs reported as SG&A expenses for financial purposes, and to reflect the accounting treatment of certain production costs – for the purpose of allocating the actual production costs incurred during the investigation period. The verification team examined the breakdown of this adjustment and was satisfied that the costs had been accurately reported; and
- The verification team sought further information in relation to start-up expenses and was satisfied that start-up expenses incurred during the period were correctly reclassified by GCI and removed from being directly allocated to the cost of production.

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

- GCI's SG&A listing was reconciled to the most recent audited financial statement and to monthly income statements, the company's trial balance and

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accounting system for the most recent accounting period and the investigation period; and

- The classification of direct selling expenses was reconciled to relevant accounting ledgers and source documents.

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 completeness and relevance of CTMS data

No.	Exception	Resolution
1	<p><u>SG&A – finance costs</u></p> <p>During the upwards reconciliation of SG&A expenses, it was identified that certain finance costs had not been included in the SG&A calculation.</p> <p>It was confirmed that the finance costs were indirect expenses relevant to the sales in the period.</p>	<p>GCI revised the SG&A listing to include the relevant expenses.</p> <p>The verification team was satisfied that the revised SG&A listing included all relevant SG&A expenses incurred in the period.</p>

Table 5 Exceptions 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 REQ by GCI, including any required amendments as outlined as an exception, is complete and relevant.

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

Table 6 below outlines the allocation method applied to each cost item, including any changes to the CTMS data, as a result of an exception.

Cost item	Method applied
Raw Materials	Raw material costs have been allocated to the relevant product types that they relate to (including the goods under investigation and non-subject goods) and allocated based on the production quantity.
Direct Labour	Direct labour costs have been allocated to underlay film and other products based on revenue. This was considered to be reasonable, given that underlay and other products were not of comparable units. Total direct labour costs for all underlay film were then allocated based on the production quantity.
Manufacturing Overheads	Certain manufacturing overhead costs that could be readily segregated to underlay film and other products based on the actual costs applicable, have been directly allocated to underlay film and other products. All other manufacturing overhead costs have been allocated to underlay film and other products based on revenue. This was considered to be reasonable, given that underlay film and other products were not of comparable units. Total manufacturing overhead costs for all underlay film were then allocated based on the production quantity.

Table 6 Cost allocation method

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**.

6.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
1	<u>Reporting of volume by weight</u> From the verification of costs and sales, it was identified that there were inconsistencies in how the weight was reported for the goods, which impacted the cost allocations.	As with the treatment of GCI's sales volumes (section 4.1, exception 1 refers), GCI revised the production quantities to reflect the total net theoretical weight of finished goods, excluding variable amounts for the weight of the cardboard core and packing. This provided consistency between GCI's costs and sales data.

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2	<p><u>Allocation of production costs to underlay film</u></p> <p>From the verification of the CTM allocations, it was observed that production costs were allocated to underlay film based on revenue.</p> <p>The verification team considered this methodology to be unreasonable, as the selling price had no relevance to the production cost allocations, and all underlay film (e.g. black/orange/clear) had comparable production processes, regardless of the selling price.</p>	<p>GCI revised its cost allocation worksheet, to reallocate production costs to underlay film, based on production quantity.</p> <p>The verification team considers the revised allocation methodology to be reasonable, based on the information verified.</p>
3	<p><u>Allocation of direct labour costs to 'underlay' and other products</u></p> <p>The verification team was unable to verify the accuracy of the allocation methodology used to allocate direct labour expenses to underlay film (including the goods) and other products, based on the information provided.</p> <p>As such, the verification team proposed that direct labour costs be reallocated to underlay film and other products based on the proportion of revenue – consistent with the allocation methodology for manufacturing overhead costs.</p>	<p>GCI revised its cost allocation worksheet, to reallocate direct labour costs to underlay and other products based on revenue.</p> <p>GCI accepted that this was consistent with how manufacturing overhead costs had been allocated.</p> <p>The verification team considers the revised allocation to be reasonable, based on the information verified.</p>
4	<p><u>Allocation of certain manufacturing overhead costs</u></p> <p>From the downwards costs verification, it was identified that certain manufacturing overhead costs were under-allocated in one month during the investigation period, due to an accounting adjustment in that month, which related to costs being double-booked in a period prior to the investigation period.</p>	<p>GCI revised its cost allocation worksheet, to reflect the actual costs incurred in the relevant period and provided further information to reconcile required changes to the data.</p> <p>Based on the information verified, the verification team was satisfied that the updated manufacturing cost data was accurate.</p>
5	<p><u>Allocation of SG&A expenses</u></p> <p>From the verification of the SG&A listing, it was observed that the total SG&A costs had not been reported. Rather, GCI reported SG&A costs, based on the proportion of sales revenue of the goods.</p> <p>This was inconsistent with the SG&A calculation methodology, which already calculated the proportion of SG&A as a percentage of total revenue.</p>	<p>GCI revised its SG&A calculation, to report total indirect SG&A costs as a percentage of total revenue.</p> <p>The verification team updated the SG&A listing to reflect the total SG&A costs incurred in the period and was satisfied that total indirect SG&A expenses were correctly reported in the revised SG&A calculation.</p>

Table 7 Exceptions during verification of CTMS allocation method

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 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**.

6.4 Exceptions during verification of accuracy of CTMS data

No.	Exception	Resolution
1	<u>Accuracy of certain raw material cost allocations</u> From the downwards verification of raw material costs, it was observed that certain raw material costs had been incorrectly classified by product type, meaning the costs had not been accurately allocated to the products that those costs related to.	GCI revised its raw material costs worksheet and provided further information to reconcile required changes to the data. Based on the information verified, the verification team was satisfied that the updated raw material cost data was accurate.

Table 8 Exceptions during verification of accuracy of CTMS data

6.5 Related party suppliers

GCI sourced a nominal volume of raw materials from a related party during the investigation period.

The verification team had regard to the volume of these transactions and also compared the pricing against purchases from unrelated parties. The verification team found purchases to be of an immaterial volume and considered that the pricing was consistent with comparable raw materials supplied by unrelated parties.

As such, the verification team is satisfied that these purchases represent competitive market costs and does not consider that an adjustment to the cost of production is required.

6.6 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by GCI, 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 Direct and indirect exports of the goods

In relation to the goods exported by GCI to Australia in the investigation period, the verification team found that the goods were exported via two channels, with GCI exporting both directly to Australian importers and indirectly, through an unrelated trading entity based in Malaysia.

7.2 The importers

For the sales where GCI transacted directly with Australian customers, the verification team considers the Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer, as the Australian customers are respectively:

- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- responsible for importation charges; and
- responsible for arranging delivery from the Australian port.

Secondly, for the goods exported to Australian through an unrelated trading entity, the verification team found that the goods were sold by GCI on FOB terms for export, while the trading entity transacted with Australian customers.

Based on the information available for these sales (e.g. customer details, purchase orders, invoices from logistics provided and ABF import data), the verification team considers the Australian customers of the trading entity to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods.

7.3 The exporter

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

- the manufacturer of the goods, located in the country of export, and produces the goods to Australian customer requirements, knowing that they are destined for export;
- named on relevant commercial documentation as the supplier (e.g. commercial invoices to customers and purchase orders);
- responsible for arranging and paying for the inland transport to the port of export;

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.

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- responsible for arranging and paying for the port handling charges at the port of export; and
- responsible for arranging and paying for the ocean freight (where applicable).

As outlined at section 7.1, certain exports of the goods during the investigation period occurred through an unrelated trading entity located in Malaysia.

For these exports, the verification team confirmed to relevant source documentation that the goods were exported to Australia. Furthermore, GCI was considered to be the principal in these transactions, as it was responsible for manufacturing the goods to Australian customer specifications and for arranging packing and transport to the port for export to Australia.

As such, the verification team is satisfied that GCI was the exporter for all Australian export sales manufactured by GCI during the investigation period, including those sales where an unrelated trader acted as an intermediary. For those sales, the verification team considers that GCI was the principal located in the country of export who knowingly placed the goods in the hands of a logistics company for export to Australia, and was therefore the exporter of the goods.

7.4 Arms length

The verification team found that all GCI's Australian sales of the goods during the period were to unrelated customers.

In respect of these sales, 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

The verification team therefore considers that all export sales made by GCI were arms length transactions.

7.5 Export Price – assessment

In respect of the Australian sales of the goods where GCI transacted directly with Australian customers, 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.

Secondly, in respect of the Australian sales of the goods by GCI made via a Malaysian-based trader, the verification team considers that the importer(s) have not

³ Section 269TAA refers.

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purchased the goods from the exporter, and therefore, that export prices cannot be determined under sections 269TAB(1)(a) or 269TAB(1)(b). The verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation.

Specifically, the verification team recommends that the export price for these sales be calculated based on the invoice price between GCI and the Malaysian-based intermediary on FOB terms, noting that these sales were found to be arms length transactions, while GCI was generally responsible for all FOB selling expenses.

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

The verification team found that all GCI's domestic sales of like goods for home consumption during the period were to unrelated customers.

In respect of these sales, 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 of like goods for home consumption made by GCI during the period were 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:

- 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.

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 period.

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

Table 9 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 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 assessing a dumping margin.

The verification team notes that the total volume of sales is well below 5% and that there are differences in models that relate to the pricing for the goods sold domestically and those exported to Australia. Additionally, there was not a material volume of sales for domestic 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's volume analysis is at **Confidential Appendix 3**.

8.4 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under section 45 of the *Customs (International Obligations) Regulation 2015* (the Regulation).

The verification team calculated an amount of profit based on the profit achieved on all domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

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The verification team's preliminary calculation of an amount for profit is at **Confidential Appendix 3**.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with section 269TAC(9).

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Credit terms	<p>In its REQ, GCI reported that it provides credit terms for domestic sales, while payment terms were reported in its sales listings for both domestic and Australian sales.</p> <p>Based on the downwards verification of sales to source documents, the verification team found that the payment terms reported could not be reconciled to the commercial invoices, while it was not apparent that credit terms were incorporated into selling prices.</p> <p>In addition, the normal value has been ascertained using a cost basis, such that an adjustment would not be required for domestic credit terms.</p> <p>Based on these factors, the verification team is satisfied that an adjustment for credit terms is not required for the purpose of ascertaining the normal value of the goods.</p>	N/A	Y	N
Packaging costs	<p>Packaging costs are captured in the normal value within the CTM.</p> <p>In its REQ, GCI reported that there were not material differences in costs for domestic and export packaging.</p> <p>From the verification of raw material costs (including packaging costs), the verification team did not identify material differences in packaging costs based on the sales destination and therefore does not consider it necessary to make an adjustment for differences in packaging expenses.</p>	N/A	N	N
Domestic inland transport	<p>N/A – The normal value has been ascertained in accordance with section 269TAC(2)(c) at an EXW level, not including costs for domestic direct selling expenses.</p>	N/A	N/A	N

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Export inland transport	GCI incurred export inland transport expenses for its Australian sales. The verification team considers that an adjustment is necessary to ensure the normal value is comparable to the export price.	The WA export inland transport cost was calculated based on the actual costs incurred for exports to Australia in the period.	Y	Y
Export handling and port charges	GCI incurred export handling and port charges for its Australian sales. The verification team considers that an adjustment is necessary to ensure the normal value is comparable to the export price.	The WA cost for export handling and port charges was calculated based on the actual costs incurred for exports to Australia in the period.	Y	Y

Table 10 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Export inland transport	Add an amount for export inland transport
Export handling and port charges	Add an amount for export handling and port charges

Table 11 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 is satisfied that because of the low volume of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a price under section 269TAC(1), the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1).

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

- the cost to make the exported goods based on the company's records in accordance with section 43(2) of the Regulation;
- SG&A on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export 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 OCOT in accordance with section 45(2) of the Regulation.

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 that the normal value is properly comparable 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 investigation period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by GCI for the period is **17.2 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	Normal Value
Confidential Appendix 4	Dumping Margin
Confidential Attachment 1	Verification work program