



Exporter Verification Report

Verification & Case Details

Initiation Date	02/07/2021	ADN:	2021/082
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The goods under consideration	A4 Copy Paper		
Case type	Continuation Inquiry		
Exporter	PT Riau Andalan Kertas, Indonesia		
Verification from	11/10/2021	to	21/10/2021
Period of review	01/07/2020	to	30/06/2021

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* (Cth) (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 Corporate Structure and Ownership

PT Riau Andalan Kertas (**RAK**) manufactured the goods that were exported to Australia and the like goods sold domestically during the period examined for the purpose of this verification (1 July 2020 to 30 June 2021) (**the period of review**). RAK is incorporated in the Republic of Indonesia (Indonesia) and is wholly owned by two companies, which are also part of the APRIL Group (Asia Pacific Resources International Holdings Ltd) (**the APRIL group**).

In relation to the goods exported to Australia, a party related to RAK, APRIL Far East (Malaysia) Sdn. Bhd. (**AFEM**), purchased the goods manufactured by RAK and sold the goods to Australian customers. AFEM is a company incorporated in Malaysia and part of the April Group.

1.2 Related Parties

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

1.2.1 Related suppliers

During the period of review, RAK purchased all of its key raw material, pulp, from related parties. RAK also procured other manufacturing inputs from related parties in that period. RAK uses these inputs to manufacture the goods and like goods in the period of review.

1.2.2 Related customers

RAK sold all of the goods it exported to Australia in the period of review to AFEM. Consideration of the export price is in section 7.4 of this report.

On the domestic market in Indonesia, all of RAK's sales of like goods in the period of review were to unrelated parties.

1.3 Accounting records

The auditor's opinion in RAK's financial statements for 2020 states the following;

"...present fairly, in all material respects, the financial position of P.T. Riau Andalan Kertas as of December 31, 2020, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards."

The auditor further states: *"We draw attention to Note 24 to the financial statements, which indicates that the Company has considerable amount of transactions with related parties. Our opinion is not modified in respect of this matter."*

The auditor's opinion in AFEM's financial statements for 2020 stated the following;

"In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of its financial performance and its cash flows for the year then ended, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia."

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Having regard to the auditors' opinions, the verification team considers that the accounting records held by RAK and AFEM are in accordance with the generally accepted accounting principles of the relevant countries.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

RAK's production process for A4 copy paper is summarised as follows:

- **Key raw material – pulp:** During the period of review, RAK purchased hardwood pulp (“slush pulp”) from related suppliers. This pulp is transported via pipes to RAK’s bale pulper. RAK’s pulp suppliers are co-located at the same production site. The pulp purchased by RAK is produced using wood chips and logs respectively as the key raw materials.
- **Bale pulper:** The slush pulp is mixed with softwood pulp and filler in the bale pulper, then pumped to stock preparation tanks where it is blended with chemicals, such as bleach. During the period of review RAK sourced softwood pulp from a related entity.
- **Head box:** The pulp is pumped into the head box of the papermaking machine and then squirted through a horizontal slit over a moving wire mesh to remove excess water, into the wire section.
- **Wire section and sheet formation:** The pulp fibres in the wire section spread out and form a thin sheet.
- **Press section:** The thin sheet is fed into the press section, which ‘de-waters’ the sheet.
- **Drying:** The sheet is heated and dried over a series of cast-iron cylinders, and then rolled into jumbo reels.
- **Cutting:** The jumbo reel is transferred to the winder where it is cut into smaller sections referred to as rolls, then wrapped and transported to temporary storage. From temporary storage, the rolls may be packaged and despatched for sale, or transferred to the cut size or folio lines for further processing.
- **Cut size and folio lines:** The rolls are unwrapped and cut into either cut size or folio size paper dimensions.
- **Finished goods:** The cut size and folio paper products are finished products and transferred to the finished goods warehouse.
- **Scrap:** Paper scrap is generated at most stages of the production process. All paper scrap is collected and reintroduced into production. None of the paper scrap was sold during the period of review.
- **Packaging:** AFEM and RAK claimed that both domestic and export sales are packed in the same manner i.e. they are wrapped and packed into cartons, loaded onto a pallet, wrapped in plastic and strapped with plastic straps.
- **Despatch:** RAK arranges delivery of the goods from the finished goods warehouse to the customer or port of export.

2.2 Model Control Codes (MCCs)

RAK and AFEM provided sales and cost data in response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in the exporter questionnaire for Indonesian exporters.²

² <https://www.industry.gov.au/regulations-and-standards/anti-dumping-and-countervailing-system/anti-dumping-commission-current-cases/588>

2.2.1 Amendments to MCCs

Based on analysis of the price comparability of the goods under consideration, the verification team considers it necessary to make amendments to the MCC structure.

No.	Exception	Resolution
1	The verification team examined net unit prices for each paper weight grade (expressed in grams per square metre (gsm)) of the goods exported to Australia and for like goods sold domestically. Based on this price analysis, the verification team considers the “ <i>more than 70 gsm to 80 gsm</i> ” sub-category should be divided into separate sub-categories for 75 gsm and 80 gsm.	The verification team has revised the MCC structure to divide the “ <i>more than 70 gsm to 80 gsm</i> ” sub-category into separate sub-categories for 75 gsm and 80 gsm.

Table 1 Amendments to the MCCs

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
Weight (gsm)	The verification team identified weight (gsm) on invoices, quotations, sales confirmations, packing lists and accounting records
Recycled content	The verification team assessed product brochures and cost data.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia

The verification team was satisfied that RAK produced and exported the goods to Australia. Specifically, RAK exported the goods to Australia with the following MCCs during the period of review:

Exported MCCs
70-N
80-N
100-N

Table 3 – Exported MCCs

2.5 Like goods sold on the domestic market

The verification team was satisfied that RAK sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, because:

- **Physical likeness:** The goods exported to Australia and the like goods sold domestically by RAK have similar physical characteristics in terms of shape, dimensions, appearance and weight, and they have similar performance characteristics;
- **Production likeness:** The goods exported to Australia and the like goods sold domestically by RAK are produced at the same facilities, using the same raw material inputs and manufacturing processes;

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- **Commercial likeness:** The goods exported to Australia and the like goods sold domestically by RAK compete in similar market sectors, are interchangeable, and are sold in similar distribution channels; and
- **Functional likeness:** The goods exported to Australia and the like goods sold domestically by RAK are functionally alike, as they have similar end uses.

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

Domestic MCCs
70-N
75-N
80-N
100-N

Table 4 – Domestic MCCs

2.6 Like goods – assessment

The verification team considers that the goods produced by RAK 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 submitted 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 for both RAK and AFEM as follows:

- having regard to the sales revenue figures in the 2020 audited income statement (period ending 31 December 2020) and the income statements and trial balances for the second half of 2020 and the first half of 2021;
- reconciling the value of total sales from the Income statements to the detailed sales data from the relevant general ledger accounts for the period of review;
- reconciling the value and volume of all sub-categories of goods sold, including sales of subject goods, to the general ledger accounts for the period of review;
- reconciling the value and volume of subject goods to the domestic and Australian sales listings for the period of review.

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
2	The verification team found RAK's Australian sales listing excluded export packaging expenses.	AFEM/RAK provided an amended Australian sales listing to include export packaging expenses.

Table 5 Exception - Revised Australian sales listing

No.	Exception	Resolution
3	The verification team found RAK's domestic sales listing included certain goods that are not like goods.	The verification team has excluded the goods that were not like goods when assessing normal value.

Table 6 Exception - Revised Domestic sales listing

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data submitted by RAK and AFEM, including the amendments outlined in the exception tables 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 the 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
4	The verification team found minor discrepancies when comparing the RAK sales values listed in the Australian sales data supplied and that showing on the RAK invoices. In addition, the sales listing calculated certain direct selling expenses incorrectly.	AFEM/RAK provided an amended Australian sales listing showing RAK sales values that matched the RAK invoices, and it included direct selling expenses that were calculated correctly.

Table 7 Exceptions during verification of accuracy of Australian sales data

No.	Exception	Resolution
5	The verification team found RAK's domestic sales listing included direct selling expenses that were calculated incorrectly.	RAK provided an amended domestic sales listing showing direct selling expenses that were calculated correctly.

Table 8 Exceptions during verification of accuracy of Domestic sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data submitted by RAK and AFEM, 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
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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 submitted in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost to make (CTM) data as follows:

- having regard to the cost of goods sold (COGS) figures in the 2020 audited income statement (period ending 31 December 2020) and in the Income statements and trial balances for the second half of 2020 and the first half of 2021;
- reconciling COGS with costs of production in the period of review, allowing for movements in inventory;
- reconciling the total cost of production with the CTM data reported specifically for the goods and like goods; and
- reconciling the CTM data reported with standard costs from model-specific bills of materials and application of variances to derive actual costs.

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

- having regard to the SG&A expense figures in the 2020 audited financial statements and in the Income statements and trial balances for the second half of 2020 and the first half of 2021; and
- reconciling the total SG&A expenses for the period of review to the figures shown in RAK’s SG&A listing, and carried through to the CTMS data.

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
6	The verification team found the CTM data provided by RAK in the REQ contained calculation errors.	RAK provided amended CTM data and amended upwards cost reconciliation workbooks to correct the calculation errors.
7	The verification team found the SG&A data provided by RAK in the REQ contained errors.	RAK provided amended SG&A data to correct the errors.
8	The verification team found that the RAK categorisation of one particular SG&A	The verification team amended the SG&A data to correct the error.

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No.	Exception	Resolution
	expense as a direct selling expense was incorrect.	

Table 9 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 submitted in the REQ by RAK, including the amendments as outlined as exceptions 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 submitted in the REQ (as amended during verification) to the relevant MCCs, in accordance with ADN No. 2016/30.

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

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

Cost item	Method applied
Raw Materials	Actual raw material costs were allocated to each RAK model based on the proportion of standard costs for raw materials consumed in relation to actual production. This allocation was done separately for each model and linked to actual production of each model in the relevant quarter. The standard costs were based on bills of materials, determined separately for each model.
Labour	Actual labour costs were allocated to each RAK model based on the proportion of standard costs for labour incurred in relation to actual production. This allocation was done separately for each model and linked to actual production of each model in the relevant quarter. The standard costs were based on bills of materials, determined separately for each model.
Manufacturing Overheads (including depreciation)	Actual manufacturing overhead costs were allocated to each RAK model based on the proportion of standard costs for manufacturing overheads incurred in relation to actual production. This allocation was done separately for each model and linked to actual production of each model in the relevant quarter. The standard costs were based on bills of materials, determined separately for each model.

Table 10 Cost allocation method

6.2 Verification of Accuracy of CTMS data

The accuracy of data is verified by reconciling selected submitted data ‘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 submitted in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

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

6.3 Related party suppliers

During the period of review RAK purchased the following inputs from related parties for production of A4 copy paper:

- hardwood pulp;
- softwood pulp; and
- other manufacturing inputs.

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The Commission is currently considering whether RAK's records reasonably reflect competitive market costs associated with the production or manufacture of like goods. Therefore, assessment of the costs associated with inputs that were purchased from related party suppliers has been referred to the case management team for consideration.

7 EXPORT PRICE

7.1 The importers

In relation to most of the goods exported to Australia by RAK, the verification team considers AFEM's Australian customers to be the beneficial owners of the goods at the time of importation and therefore the importer as those Australian customers:

- were named on AFEM's commercial invoice as the customer;
- were named on the RAK commercial invoice in the shipping marks;
- were named on AFEM's packing list as the customer;
- were named on the RAK packing list in the shipping marks;
- were named on the bill of lading as the consignee;
- were named on the certificate of origin as the consignee;
- were named on the AFEM quotation and sales confirmation as the party "sold to" and to "ship to";
- were named on the RAK quotation and sales confirmation as the party to "ship to";
- were declared as the importer on the importation declaration to ABF;
- paid for all the importation charges; and
- arranged delivery from the Australian port.

In relation to the remaining shipments, which were at different delivery terms, the verification team considers that AFEM was the beneficial owner of the goods at the time of importation. This is because AFEM retained ownership of the goods, and was responsible for arranging the logistics until delivery at the customer's premises in Australia. Accordingly, for these shipments the verification team considers AFEM the importer.

7.2 The exporter

The verification team considers RAK to be the exporter of the goods, because:

- RAK manufactured the goods exported to Australia, and is located in the country of export (Indonesia);
- RAK sold the finished goods to AFEM (an entity incorporated and based in Malaysia), which on-sold the goods to the Australian importer;
- RAK was aware that AFEM on-sells the goods to Australia. The Australian customer's name and location, as well as the final Australian port destination, was listed in the sales documents, including the commercial invoices raised by RAK;
- RAK was responsible for delivering the goods to the port of export in Indonesia at FOB terms, and was responsible for all logistics and port handling charges to that point;
- The certificate of origin showed the goods were consigned from RAK to the Australian customer names and the Australian customer names were also contained in the marks and numbers; and
- AFEM did not take physical possession of the goods, and did not possess its own inventory of the goods for distribution and export.³

³ 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.

7.3 Arms length

7.3.1 Related party customers

In respect of RAK's export sales of the goods to its related customer in Malaysia, AFEM, during the period of review, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price;⁴ 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.⁵

However, the verification team found evidence that 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.⁶

The verification team noted that:

- RAK and AFEM have the same ultimate parent company;
- RAK was the exclusive supplier of the goods to AFEM for on-selling to Australia in the period of review; and
- RAK's claim that prices of the goods sold to AFEM were determined in accordance with known transfer pricing principles.

In response to the verification team's enquires, RAK provided information about how it determined the transfer price to AFEM.⁷

RAK presented a study concerning transfer-pricing policy between paper manufacturers and paper traders within the APRIL group in support of its transfer price methodology.⁸ The transfer price study is relevant as RAK and AFEM are within the APRIL group.

The methodology outlined in the study table by RAK appeared to be reasonable basis to establish transfer prices and satisfy certain transfer pricing rules. However, the transfer price study itself does not establish that the transactions between RAK and AFEM were necessarily arms length so as section 269TAA may be satisfied.

The verification team also examined the price inputs for a sample of transactions presented by RAK. The value of the inputs were demonstrably different to the actual amounts relevant to the time of sale and not consistent with the arms length amounts recommended in the transfer pricing study.⁹ Further, the verification team found that RAK's price to AFEM did not meet the criteria for arms length outlined in the study.¹⁰

The findings outlined above demonstrate that sales between RAK and AFEM did not apply the transfer pricing mechanism for achieving an arms length transaction between related

⁴ See section 269TAA(1)(a).

⁵ See section 269TAA(1)(c).

⁶ See section 269TAA(1)(b).

⁷ Confidential Attachment 1, pp.53-57 refers.

⁸ Confidential Attachment 1, p.53.

⁹ Attachment GP-6.L to Confidential Attachment 1 refers.

¹⁰ Attachment GP-6.P to Confidential Attachment 1 refers.

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parties and did not take into account certain changes in market factors during the period of review.

The verification team further considers the methodology relied on to set the selling price of RAK's goods involved certain considerations affecting price, known to RAK and AFEM, which are not possible to establish or take into account where transactions involved sales between unrelated entities.

Having regard to the above analysis of RAK sales to AFEM, the verification team does not consider that the process for determining price between RAK and AFEM is the result of real bargaining.¹¹ The verification team further considers that the price at which RAK sold A4 copy paper to AFEM in the period of review, in relation to goods destined for the Australian market, appeared to be influenced by its relationship with AFEM.

The verification team therefore considers that export sales to Australia made by RAK during the period of review were not arms length transactions, pursuant to section 269TAA(1)(b).¹²

In relation to AFEM's sales to Australian customers, the verification team found no evidence that:

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

Accordingly, the verification team considers that AFEM's sales of the goods to Australian customers during the period of review were arms length transactions.

7.4 Export Price – assessment

In relation to most of the goods exported to Australia by RAK, the verification team found that the importer had not purchased the goods from the exporter, therefore, 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.

As the goods were subsequently sold by AFEM in the condition that they were purchased, the verification team recommends that the export price be determined under section 269TAB(1)(c), being the price at which the goods were so sold by AFEM to the Australian customer less amounts for overseas freight and marine insurance (where applicable), and an amount for AFEM's profit (if any).

In relation to the remaining shipments, which were at different delivery terms, the verification team found that the importer (AFEM) paid the exporter (RAK) for the goods. However, the

¹¹ [Anti-Dumping Commission Dumping and Subsidy Manual \(November 2018\), p.26](#)

¹² The Commission notes that the finding in this report that the export sales to Australia did not take place on an arms length basis relates to the assessment of export prices for anti-dumping purposes under section 269TAB. It is not an assessment of its transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

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verification team found that all of AFEM's purchases from RAK were not arms length transactions.

Therefore, export prices for the remaining shipments cannot be determined under section 269TAB(1)(a). As the goods were subsequently sold by the importer in the condition that they were imported, the verification team recommends that the export price be determined under section 269TAB(1)(b), being the price at which the goods were so sold by the importer less the prescribed deductions, being amounts for any duties of customs; costs arising after exportation; and AFEM's profit (if any).

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 RAK's domestic sales of like goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by RAK to its unrelated domestic customers during the period of review were arm's length transactions.¹³

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.¹⁴

The verification team has collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. However, the Commission is currently considering whether:

- the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1); and
- RAK's records reasonably reflect competitive market costs associated with the production or manufacture of like goods.

Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

¹³ RAK did not make any domestic sales of like goods to related customers during the period of review.

¹⁴ In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or period of review.

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 has collected the necessary data to conduct a volume analysis, based on the reported sales at the time of verification. However, the Commission is currently considering whether:

- the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1); and
- RAK's records reasonably reflect competitive market costs associated with the production or manufacture of like goods.

Therefore, the assessment of the volume of relevant sales has been referred to the case management team for consideration.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, adjustments in accordance with section 269TAC(8) or 269TAC(9) are required. However, the calculation of a normal value is not within the scope of this verification. Regardless of which section of the Act the normal value for an exporter will be determined, the verification process will involve an examination of the information relevant to adjustments. Within this context, the table in section 9.1 below summarises the result of the verification team's examination.

9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	RAK provided credit terms in domestic sales of like goods to certain customers, and not to others. These credit terms differed to that provided for export sales of the goods.	RAK provided proof of payment for each of its domestic sales selected for verification. The evidence indicated that payment was made within a timeframe that was reasonably consistent with the quoted credit terms. Hence domestic credit terms was derived applying RAK's borrowing rate to the actual payment days.	No	Yes
Domestic packaging	RAK's cost of packaging is determined separately for each material code, providing for a difference between export and domestic packaging costs.	RAK's costs of packaging were based on verified actual costs (derived from standard costs with adjustments for variances).	No	Yes
Domestic ocean freight, marine insurance, and inland transport (including mill to port)	RAK incurred ocean freight, marine insurance, and inland transport charges (including mill to port) in varying amounts depending on whether delivery involved land and/or sea transport within Indonesia.	RAK provided unit calculations of each element of these charges incurred for the part of the period of review where it made domestic sales. The costs were supported by extracts from relevant cost accounts and the sales volumes were supported by relevant sales reports.	Yes	Yes
Domestic empty container costs	RAK incurred empty container costs in relation to domestic sales.	RAK provided unit calculations of these charges incurred for the part of the period of review where it made domestic sales. The costs were supported by extracts from relevant cost accounts and the sales volumes were supported by relevant sales reports.	Yes	Yes
Domestic handling and other (import duties, stevedoring, and document fees)	RAK incurred handling and other charges (import duties, stevedoring, and document fees) in relation to domestic sales.	RAK provided unit calculations of each element of these charges incurred for the part of the period of review where it made domestic sales. The costs were supported by extracts from relevant cost accounts and the sales volumes were supported by relevant sales reports.	Yes	Yes

PUBLIC RECORD

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Export inland transport charges (including mill to port, empty container costs, stevedoring and document fees)	RAK incurred inland transport charges (including mill to port, empty container costs, stevedoring and document fees) in relation to export sales.	RAK provided unit calculations of each element of these charges incurred for the part of the period of review where it made export sales. The costs were supported by extracts from relevant cost accounts and the sales volumes were supported by relevant sales reports.	Yes	Yes
Export demurrage fees	RAK incurred demurrage charges in relation to export sales.	RAK provided unit calculations of these charges incurred for the part of the period of review where it made export sales. The costs were supported by extracts from relevant cost accounts and the sales volumes were supported by relevant sales reports.	No	Yes
Export packaging	RAK's cost of packaging is determined separately for each material code, providing for a difference between export and domestic packaging costs.	RAK's costs of packaging were based on verified actual costs (derived from standard costs with adjustments for variances).	No	Yes
Export credit terms	RAK provided credit terms in relation to its exports sales of the goods. These credit terms differed to that provided for domestic sales of like goods.	RAK provided proof of payment for each its export sales selected for verification. The evidence indicated that payments were made in a timeframe that was generally consistent with the credit terms quoted on AFEM's invoices to customers. Hence AFEM's weighted average credit terms is used to calculate Export credit terms.	Yes	Yes
Timing adjustment	In relation to three MCC/quarter combinations of the exported MCCs, there were no relevant corresponding domestic sales.	To account for an absence of corresponding sales in relevant quarters it is likely that a timing adjustment based on available price or cost information will be necessary.	No	No

10 NORMAL VALUE

The Commission is currently considering whether:

- the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1); and
- RAK's records reasonably reflect competitive market costs associated with the production or manufacture of like goods.

Accordingly, the verification team has referred the assessment of normal value to the case management team.

11 DUMPING MARGIN

Normal values were not determined as part of the verification process (see chapter 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by RAK for the period of review. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.

12 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Attachment 1	Verification work program