



**REVIEW OF ANTI-DUMPING MEASURES ON
CERTAIN ALUMINIUM EXTRUSIONS**

**EXPORTED TO AUSTRALIA FROM THE PEOPLE'S REPUBLIC
OF CHINA**

IMPORTER VISIT REPORT

Darley Aluminium Trading Pty Ltd

September 2014

**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**

ABBREVIATIONS

\$	Australian dollars (also referred to as AUD)
ACBPS	Australian Customs and Border Protection Service
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
CIF	Cost, insurance and freight
Commission	Anti-Dumping Commission
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
P&L	Profit and loss
SEF	Statement of Essential Facts
SG&A	Selling, general and administration

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1 BACKGROUND AND PURPOSE

1.1 Background to the current investigation

The current investigation is a review of anti-dumping measures currently in place.

The anti-dumping measures currently in place

On 24 June 2009, the Australian Customs and Border Protection Service¹ (ACBPS) initiated an investigation into the alleged dumping and subsidisation of certain aluminium extrusions exported to Australia from the People's Republic of China (China). The ACBPS's findings are set out in International Trade Remedies Report No 148 (**REP148**). On 28 October 2010, anti-dumping measures - in the form of a dumping duty notice and a countervailing duty notice - were imposed on certain aluminium extrusions exported from China.

Following a review by the Trade Measures Review Officer (TMRO), ACBPS conducted a reinvestigation into certain findings made in REP 148. International Trade Remedies Report No. 175 (**REP 175**) sets out the findings affirmed and new findings made by the ACBPS as a result of the reinvestigation. Subsequent to this, the Attorney-General published new notices under s. 269ZZM of the *Customs Act 1901* (the Act) substituting for the dumping and countervailing duty notices published on 28 October 2010. The new notices came into effect on 27 August 2011, replacing the earlier notices to the extent of any inconsistencies.

This review of measures

On 12 June 2014, the Anti-Dumping Commission (the Commission) commenced a review of the anti-dumping measures applying to certain aluminium extrusions exported to Australia from China. The visit to Darley Aluminium relates to this review of measures.

This review of measures is the result of an application by PanAsia Aluminium (China) Co, Ltd (PanAsia) seeking a review of the anti-dumping measures as they apply to its exports to Australia. The Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary), who is responsible for anti-dumping matters, accepted a recommendation from the Anti-Dumping Commissioner to extend the review of measures to all exporters covered by the measures.

The review of measures will be limited to examining whether the variable factors relevant to the taking of the anti-dumping measures, as they affect exporters of the goods from China generally, should be varied.

The review period is 1 April 2013 to 31 March 2014.

¹ The Australian Customs and Border Protection Service was previously responsible for functions now performed by the Anti-dumping Commission

1.2 Purpose of the meeting

Darley Aluminium Trading Pty Ltd (Darley Aluminium) participated in the initial investigation relating to the anti-dumping measures currently in place. The Commission wrote to Darley Aluminium on 19 June 2014 advising of this review of measures. Darley indicated its willingness to cooperate in this review of measures and completed an importer questionnaire.

The purpose of this visit was to:

- confirm that Darley Aluminium is an importer of aluminium extrusions and confirm the identity of the exporter;
- verify information on imports of aluminium extrusions to assist in the determination of export prices from China;
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing;
- ensure that Darley Aluminium is accurately declaring imports that are covered by the anti-dumping measures;
- identify whether the goods are sold profitably in Australia; and
- provide the company with an opportunity to discuss any issues it believed relevant to the review of measures.

1.3 Meeting details

Company	Darley Aluminium Trading Pty Ltd 8 Tyrone Place Erskine Park NSW 2759
Dates of visit	6 August 2014

The following were present at various stages of the meeting:

Darley Aluminium Ltd	Richard Li – General Manager Dylan Moldrich – Finance and IT Manager Alan Turner – Purchasing and Sales
the Commission	Mick Kenna – Assistant Director, Operations 4 Melanie Brandis – Assistant Director, Operations 4

A copy of the meeting agenda is at **confidential attachment 1**.

1.4 Investigation process and timeframes

The visit team advised Darley Aluminium of the review of measures process and timeframes as follows.

- The review period is 1 April 2013 to 31 March 2014

- The Statement of Essential Facts (SEF) for the review of measures is due to be placed on the public record by 1 October 2014, or such later date as the Parliamentary Secretary allows under s.269ZHI of the *Customs Act 1901* (the Act).

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 17 November 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

The visit team advised Darley Aluminium that the visit team would prepare a report of the visit and provide it to Darley Aluminium to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

It was explained that, in consultation with Darley Aluminium, the visit team would prepare a non-confidential version of the report, and place this on the review of measure's public record.

2 THE GOODS

2.1 Description

The goods the subject of the application (the goods) are aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents), with the finish being as extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5 mm., with a maximum weight per metre of 27 kilograms and a profile or cross-section which fits within a circle having a diameter of 421 mm, originating in or exported from China.

2.2 Tariff classification

The goods may be classified to tariff subheadings 7604.10.00 (statistical code 06), 7604.21.00 (statistical codes 07 and 08), 7604.29.00 (statistical codes 09 and 10), 7608.10.00 (statistical code 09), 7608.20.00 (statistical code 10), 7610.10.00 (statistical code 12) and 7610.90.00 (statistical code 13) in Schedule 3 of the Customs Tariff Act 1995. The rates of duty for the goods from China are 4 per cent for goods classified to headings 7604 and 7608 and 5 per cent for goods classified to heading 7610.

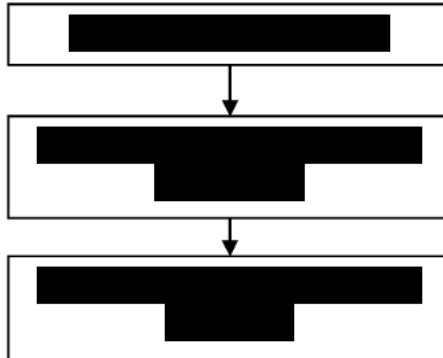
3 COMPANY DETAILS

3.1 Commercial operations

3.1.1 Organisational structure of company

[redacted] [ownership structure].

Figure 1: Darley Aluminium Structure



Darley Aluminium advised that its head office is in Erskine Park in Sydney. The company has branches in Queensland, Western Australia, New South Wales, and Victoria/Tasmania. These branches are responsible for sales, warehousing, and administration within their respective regions and operate as separate cost centres reporting to the General Manager. Corporate functions run from the head office in Erskine Park and support the branches.

[redacted] [employee profile].

[redacted] [corporate structure].

The company organisation chart is at **confidential attachment 2**.

3.1.2 Functions of company

Darley Aluminium operates as a distributor of a range of aluminium extrusion products as well as related products such as hardware, steel mesh, and security grilles and doors. [redacted]

[redacted] [level of trade profile].

Darley Aluminium imports various products, including aluminium extrusions. While some imports may be directly delivered to the customer the majority are delivered to Darley Aluminium warehouses. Darley may perform further work on the imported goods, such as performing surface finishing and general cutting for length, before supplying the product to the customer.

[redacted] [company activity profile].

3.2 Accounting

Darley Aluminium's financial year is from 1 July to 30 June and the company's management accounts are kept electronically [redacted] [accounting system and governance arrangements].

3.3 Relationship with supplier of the goods

Darley Aluminium advised that – as advised at previous verification visits - the relationship between it and the supplier of the goods was purely commercial, as they were separate legal entities and had no ownership or other connections.

[redacted] [supplier and manufacturer information].

Guangdong Zhongya Aluminium Co Ltd is a selected exporter for this review of measures, as per the sampling report available on the public record.

3.4 Relationship with customers

[redacted] [customer numbers]. At the verification visit, Darley Aluminium advised that it has no legal relationship with any of these customers and its relationship with its customers is that between a normal buyer and seller in a commercial transaction.

3.5 Darley Aluminium's aluminium extrusion product range

During the visit, the visit team toured Darley Aluminium's warehouse and were shown samples of aluminium extrusions.

Darley Aluminium advised that it imports and sells a range of products. Its imports include those that fit within the description of the goods.

[redacted] [information on company activities]. Darley Aluminium may also arrange third party finishing prior to sale to the customer. Due to this finishing work, the goods Darley Aluminium sells do not match the goods it imports. This is because Darley Aluminium may import mill finished aluminium extrusions, paint them, and sell them as painted aluminium extrusions.

[redacted] [information on company activities].

Aluminium extrusions may be distinguished by shape, alloy, finish, and temper.

In terms of shapes of extrusions, the majority of Darley Aluminium's imports were standard shapes and used for applications such as shopfront, doors, and architectural applications. Darley Aluminium also supplied special shapes which included Darley Aluminium's own design range (e.g doors) and custom-made goods designed with customers. The process for custom-shapes involved a drawing being prepared by Darley Aluminium with the customer and the extrusion being produced in China, [redacted] [die ownership arrangements].

In terms of finish, Darley Aluminium imports in a range of finishes. As noted above, as Darley Aluminium performs finishing in Australia its sales reflect further finishing performed in Australia.

In terms of alloys, Darley Aluminium explained that its imports of the goods are made from alloys within the 6000 series of aluminium alloy. The majority ([redacted] per cent) are extruded from alloy 6063, which is an architectural alloy with applications such as security doors and general architecture. All anodised and painted aluminium extrusions imported by Darley Aluminium are alloy 6063. Another basic extrusion used for windows and shopfronts is 6106, and a similar alloy produced by Australian extruders (but not imported by Darley) is alloy 6060.

Other alloys imported by Darley Aluminium include 6061, 6005, 6082 which are structural grade extrusions used for various applications. These are special extrusions that may attract a surcharge.

In terms of alloy tempering, Darley Aluminium advised that its standard range of the goods is supplied in either temper 5 (T5) or temper 6 (T6). There are other speciality tempers. Darley Aluminium advised that tempering, which is a process of heat treating alloys, is not a major determinant of price.

3.6 Products other than aluminium extrusions

Darley Aluminium identified that while the majority of its imports were for the goods subject to the anti-dumping measures it also imported goods outside the goods description. [redacted] [imported product descriptions]. The sales data listing provided by Darley Aluminium for aluminium extrusions and for 'all sales' in selected months indicates that [redacted] [proportion] are not of the goods under consideration.

[redacted] [imported product descriptions].

3.7 Like goods

Darley Aluminium advised that the majority of its standard geometric shapes of extrusions are like to aluminium extrusions produced and sold by the Australian industry. This reflects the use of aluminium extrusions in standard functional applications, such as sliding doors, with only minor idiosyncrasies.

4 Australian Market

4.1 Sale verification to source documents

Prior to the verification visit, Darley Aluminium provided a 'sales listing' spread sheet as its importer questionnaire Part C response. The visit team selected [REDACTED] invoice references from that sales listing for further verification.

At the verification visit, Darley Aluminium provided invoices and proof of payment for these [REDACTED] invoice references.

The invoices provided listed the customer and included a description of each of the goods sold in that order. Darley Aluminium was able to explain that they had included in Darley Aluminium's sales listing only those goods that were the goods under consideration. As the invoices were itemised with detailed descriptions, the visit team was able to verify that Darley Aluminium had appropriately excluded any goods that it considered were not the goods under consideration for the selected sales.

The visit team observed that the invoices did not include details of the weight of aluminium extrusions sold but identified the goods by item. Following the visit, Darley Aluminium explained that the weight of the extrusions had been calculated with reference to the stock item number and a record of the weight of each stock item, and verified this for stock selected by the visit team.

The visit team is therefore satisfied that invoice details recorded in Darley Aluminium's sales listing are reasonably accurate.

4.2 Verification to management accounts

The visit team requested Darley Aluminium provide documents in order to conduct an upwards reconciliation from Darley Aluminium's sales listing spread sheet to its management accounts.

As Darley Aluminium's sales listing spread sheet provided only details of the goods under consideration (aluminium extrusions), [REDACTED]

[REDACTED] [information on reconciling to management accounts].

The visit team requested complete sales data for the months of June 2013 and October 2013 in order to perform a reconciliation to audited accounts and to verify that the sales data correctly related to all relevant goods.

Examining the June 2013 data, the visit team checked a selection of invoices to conclude that the aluminium extrusions listing appeared accurate. The total June 2013 sales as per the sales listing matched the total sales and handling fees in the management [REDACTED]

[REDACTED] [information on reconciliation to financial statements].

Examining the October 2013 data, the visit team checked a selection of invoices to conclude that the aluminium extrusions listing appeared accurate. The total October 2013 sales as per the sales listing matched the total sales and handling fees in the management accounts [redacted] [sales reconciliation information].

The visit team noted that Darley Aluminium's sales listing identified only "Zhongya Shaped Aluminium" as the supplier, [redacted] [supplier information]

From the verification of the sales listing to management accounts for the selected months, the visit team is reasonably satisfied that Darley Aluminium's sales listing of aluminium extrusions is a complete a relevant record.

4.3 Sales volume and selling prices in Australia

[redacted] [sales volume and value information].

In terms of factors impacting selling prices, Darley Aluminium indicated that the main variable was weight.

As noted above, as the sales listing was only for the goods subject to the anti-dumping measures the visit team were unable to directly compare this figure to the profit and loss statement for the same period. However, as outlined above, the visit team tested the months of June 2013 and October 2013 and is satisfied that relevant sales were extracted and that total sales reconcile to the audited profit and loss statement for 2012/13.

The visit team has calculated the following weighted average prices per tonne based on the sales data provided:

Figure 2: Weighted average selling prices

Row Labels	Sum of Line Price/Tonnes
April to June 13	[redacted]
Jan to March 14	[redacted]
July to Sept 13	[redacted]
Oct to Dec 13	[redacted]

4.4 Payment terms

Darley Aluminium's terms are generally end-of-month plus [redacted] days for distribution sales, [redacted] [payment terms].

5 IMPORTS

5.1 Volume of trade

Darley Aluminium stated that it obtains all its imported extrusions from [REDACTED]. Data in the ACBPS database confirms this, [REDACTED]

[REDACTED] [supplier information].

Based on data from the ACBPS database (at **confidential attachment 4**),

[REDACTED] [import volume].

Prior to the visit, the Commission selected [REDACTED] shipments for further examination by Darley Aluminium. The visit team compared the data supplied by Darley Aluminium in regard with these shipments to that recorded in ACBPS systems and noted no anomalies. These values were then verified to invoices, as discussed in section 5.3.

5.2 Verification of imports

Prior to the visit, Darley provided the Commission with information on [REDACTED] selected shipments in its imports transaction spread sheet in its questionnaire Part B response (**confidential attachment 5**). As outlined in this section, the visit team verified the information in the imports transaction spread sheet to source documents provided by Darley.

These source documents, [REDACTED], included the relevant:

- Commercial invoice from Zhongya to Darley Aluminium (including ocean freight), separately invoiced for aluminium extrusions and non-aluminium extrusions;
- Customs import declaration;
- Bill of Lading;
- Arrival Notice;
- Customs clearance, port charges, storage, and delivery invoice.

The invoice values were expressed in United States Dollars (USD) and delivery terms are CIF.

The invoices were itemised by finish (e.g. painted, MF), and supplied in units of metric tonne (MT). Some invoices included separate charges for finishing (e.g. a painting cost) calculated based on the quantity supplied. [REDACTED]

[REDACTED] [payment terms and invoicing arrangements].

The visit team verified that the invoice value matched the invoice values shown in Darley Aluminium's provided shipment details in its imports transaction spread sheet.

For ocean freight and insurance, the invoice lists a combined charge for 'ocean freight and insurance'. For the purpose of calculating FOB prices, Darley Aluminium used the figures for ocean freight and insurance from the

Customs import declaration. The visit team verified that the sum of these figures match the charge shown on the invoices and that the figures supplied by Darley Aluminium match the invoices and the Customs import declaration.

The visit team compared the customs broker invoices and the Customs import declaration to the data provided by Darley Aluminium in its imports transaction spread sheet and noted that the invoice amounts matched.

[redacted] [shipment arrangement]. The visit team verified that the invoiced value matched the invoice value shown in Darley Aluminium's provided shipment details [redacted]

[redacted] [verification issue]. While information on duty paid could also be sourced from the import declaration, documentation was not available on other costs.

Darley Aluminium advised that this was an example of a special good air-shipped to a particular customer and was not typical of its normal sales process. [redacted]

[redacted] [verification issue].

Figure 3: Weighted averages for [redacted] selected imports

Total tonnes across [redacted] shipments	[redacted]
Weighted average per tonne FOB value	[redacted]
Weighted per tonne Overseas freight	[redacted]
Weighted per tonne Overseas freight	[redacted]
Weighted per tonne Marine insurance	[redacted]
Weighted per tonne Marine insurance	[redacted]

5.2.1 Importation Costs

Under the heading of 'Australian Importation Costs' in the import transaction spread sheet, Darley Aluminium entered amounts for customs entry fees and duty. The visit team compared the amounts recorded in the import transaction spread sheet with the Customs import declaration and the provided customs broker invoice, and found the charges displayed on these invoices matched the import transaction spread sheet.

Using the verified data in the import transaction spread sheet, weighted average importation costs have been calculated in the table below.

Figure 4: Weighted importation costs for X selected imports

Total weighted average into-store costs (AUD)	[redacted]
• Customs brokers fees	[redacted]

analysis on a geographic / state basis because that was the way it recorded sales information in its account systems, rather than different regional market characteristics. However, based on analysis of the sales data provided by Darley Aluminium the visit team can verify that the differences in selling price between states are not significant.

The visit team attempted to recreate Darley Aluminium's analysis by using calculated selling prices but identified some minor differences in the calculated values. However, these minor differences did not affect the overall conclusion regarding profitability.

Further, the visit team has performed its own profitability analysis using quarterly national weighted average prices and this does not materially change the analysis.

Conclusion on profitability

This profitability analysis showed that all of [REDACTED] shipments used in the analysis were [REDACTED]

6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

The visit team have reviewed the importation process and have noted that Darley Aluminium:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- under the CIF terms, risk of loss or damage is transferred to Darley Aluminium when loaded about the vessel at the port of shipment..

The visit team consider Darley Aluminium to be the beneficial owner of the goods at the time of importation, and therefore the importer.

6.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Where there is no principal in the country of export the Commission will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

As discussed above, it is the visit team's understanding that [REDACTED] is a trader for the manufacturer of the goods, Guangdong Zhongya Aluminium Co Ltd. Subject to further information being received from the overseas parties, the visit team considers that the manufacturer, Guangdong Zhongya Aluminium Co Ltd is the exporter of the goods.

7 ARMS LENGTH

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is 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; and
- in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Darley Aluminium advised that the invoice price was the price paid and that it received no discounts or rebates in respect of the purchases.

The visit team reviewed the documentation for the selected shipments and did not find any evidence that the price was influenced by a commercial or other relationship or other compensation. As noted above, based on an analysis of a sample of shipments, Darley Aluminium has not imported the goods at a loss.

The visit team is satisfied that import transactions between Darley Aluminium and the exporter, Guangdong Zhongya Aluminium Co Ltd, are at arm's length in terms of s. 269TAA.

8 RECOMMENDATIONS

Following its investigations, the visit team is of the opinion that, for the goods imported by Darley Aluminium from Guangdong Zhongya Aluminium Co Ltd:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have not been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with the overseas entities, the visit team recommend that the export price for aluminium extrusions imported by Darley Aluminium from Guangdong Zhongya Aluminium Co Ltd can be established under s.269TAB(1)(c) of the Act, using the invoiced price, less deductions to the FOB level as required.

As the imports are purchased on CIF terms, the Commission will need to obtain information on ocean freight and marine insurance costs from the overseas parties. If reliable information is not forthcoming, the visit team recommends that export prices be established under s.269TAB(3) of the Act using all relevant information.

9 ATTACHMENTS

Confidential Attachment 1	Agenda
Confidential Attachment 2	Darley Organisation Structure
Confidential Attachment 3	Darley Importer Questionnaire Part A response
Confidential Attachment 4	Darley CRE response
Confidential Attachment 5	Darley Importer Questionnaire Part B response (list of imports)
Confidential Attachment 6	Darley Importer Questionnaire Part C response (Sales listing)
Confidential Attachment 7	ADC calculations based on revisions to Part B response
Confidential Attachment 8	Darley Audited Financial Reports for 2012-2013
Confidential Attachment 9	Darley Management Accounts