



**Australian Government**  
**Anti-Dumping Commission**

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**REVIEW 392**

**ALLEGED DUMPING AND SUBSIDISATION OF CERTAIN  
ALUMINIUM EXTRUSIONS  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**VERIFICATION VISIT REPORT - IMPORTER**

**MEGA STONE ALUMINIUM PTY LTD**

**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**

**MAY 2017**

# PUBLIC RECORD

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## **1 BACKGROUND**

On 23 March 2017, the Anti-Dumping Commissioner (the Commissioner) initiated an review into whether the variable factors related to certain aluminium extrusions exported to Australia from the People's Republic of China (China) should be varied Public notification of the initiation of the review was published on the Anti-Dumping Commission's website. The background relating to the initiation of this review is contained in Consideration Report 392.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to Mega Stone Aluminium Pty Ltd (Mega Stone) and other importers of aluminium extrusions, as identified in the Australian Border Force (ABF) imports database inviting them to cooperate with the review. Mega Stone cooperated with the review and completed the importer questionnaire and relevant attachments.

## **2 AUSTRALIAN SALES**

### **2.1 Verification of sales to audited financial statements**

The verification team verified the completeness and relevance of Mega Stone's sales listing by reconciling it to its annual tax return as Mega Stone is not required to have audited financial statements.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to its annual tax return.

### **2.2 Verification of sales to source documents**

The verification team verified the accuracy of Mega Stone's sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

### **2.3 Related party customers**

The verification team did not evidence that Mega Stone is related to any of its customers during the review period.

## **3 IMPORTS**

### **3.1 The goods**

Mega Stone confirmed that it imported aluminium extrusions from China during the review period, which matches the description of the goods that are the subject of this application.

### **3.2 Verification of importation and selling costs**

The visit team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program as **confidential attachment 1**.

Mega Stone identified issues in the selling, general and administration (SG&A) expense calculation provided in the importer questionnaire relating to bad debt, warehouse expenses and fees relating to non-aluminium products.

The verification team did not find any other issues with the verification of importation and selling costs to source documents.

#### **3.2.1 Bad debt**

Mega Stone stated that there was an entry in its SG&A account which reflects an estimate but which should be adjusted to reflect the actual bad debt expenses incurred. As there were no such expenses during the review period, Mega Stone stated that it should be removed from the SG&A. The verification team considers that it is reasonable to exclude the bad debt estimate from the SG&A calculation.

#### **3.2.2 Warehouse expenses**

Mega Stone stated that there was an error in the SG&A account relating to warehouse expense where the full amount of the warehouse expenses for the year was entered on two occasions, instead of apportioning across each month, and revised the SG&A calculation to reflect the actual warehouse expense for those months. The verification team considers this revision reasonable.

#### **3.2.3 Fees relating to non-aluminium products**

Mega Stone stated that there were certain fees that were related to non-aluminium products and provided supporting invoices. The verification team satisfied that these fees are not related to aluminium extrusions and considers it reasonable to exclude them from the SG&A calculation.

### **3.3 Import listing**

Mega Stone confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the review period.

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The verification team calculated the weighted average free on board (FOB) export price by supplier at **Confidential Appendix 1**.

### **3.4 The importer**

The visit team considers Mega Stone to be the beneficial owner of the goods at the time of importation and therefore the importer.

### **3.5 The exporter**

Subject to further inquiries, the verification team considers the manufacturer of aluminium extrusions to be the exporter<sup>1</sup>.

### **3.6 Profitability of imports**

The verification team calculated profit for the 11 selected shipments from two different exporters.

For one exporter, the verification team found that 5 of the 7 selected shipments were profitable. In addition, the verification team found that the weighted average of the 7 shipments were profitable.

In relation to the second exporter, the verification team found that none of the 4 selected shipments were profitable.

The assessment is at **Confidential Appendix 2**.

### **3.7 Related party suppliers**

The verification team did not evidence that Mega Stone is related to its supplier of aluminium extrusions exported from China during the review period.

### **3.8 Arms length**

In respect of imports of aluminium extrusions to Australia by Mega Stone during the review 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 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.

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<sup>1</sup> 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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For exports by one exporter, the verification team found no evidence that the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team are satisfied that import transactions between Mega Stone and one exporter are at arms length transactions.

However, for exports by the second exporter, the verification team considers that, as it was found that the goods were sold at a loss, it should be treated as indicating that the importer will directly or indirectly be reimbursed, be compensated or otherwise receive a benefit for whole or any part of the price<sup>2</sup>.

Therefore, subject to further inquiries, the verification team are not satisfied that import transactions between Mega Stone and the second exporter are at arms length transactions.

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<sup>2</sup> Subsection 269TAA(2) of the *Customs Act 1901*.

## **4 RECOMMENDATIONS**

The verification team are of the opinion that for the goods imported by Mega Stone from one exporter:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have 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 these exporters, the verification team recommends that the export price for aluminium extrusions imported by Mega Stone from one exporter can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

In addition, the verification team are of the opinion that for the goods imported by Mega Stone from the second exporter:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters;
- the purchases of the goods by the importer were not arms length transactions; and
- the goods are subsequently sold by the importer, in the condition in which they were imported, to a person who is not an associate of the importer.

Subject to further inquiries in relation to these shipments, the verification team recommends that the export price for aluminium extrusions imported by Mega Stone from the second exporter can be established under s.269TAB(1)(b) of *the Customs Act 1901*, the price at which the goods were sold by the importer less the prescribed deductions.

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### **5 ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Profitability of sales
<b>Confidential Attachment 1</b>	Verification Work Plan