



INVESTIGATION 442

**ALLEGED DUMPING OF CERTAIN ALUMINIUM
EXTRUSIONS EXPORTED TO AUSTRALIA FROM
THE PEOPLE'S REPUBLIC OF CHINA AND THE
KINGDOM OF THAILAND**

VERIFICATION REPORT - EXPORTER

**GUANGDONG JIANGSHENG ALUMINIUM CO.,
LTD. (JS ALUMINIUM)**

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

February 2018

CONTENTS

CONTENTS2

1 BACKGROUND3

2 THE GOODS AND LIKE GOODS4

2.1 THE GOODS EXPORTED TO AUSTRALIA4

2.2 LIKE GOODS SOLD ON THE DOMESTIC MARKET4

2.3 MODEL MATCHING4

2.4 LIKE GOODS – ASSESSMENT4

3 VERIFICATION OF EXPORT SALES6

3.1 VERIFICATION OF EXPORT SALES TO AUDITED FINANCIAL STATEMENTS6

3.2 VERIFICATION OF EXPORT SALES TO SOURCE DOCUMENTS6

3.3 THE EXPORTER8

3.4 THE IMPORTER8

3.5 RELATED PARTY CUSTOMERS8

3.6 ARMS’ LENGTH8

3.7 EXPORT SALES – ASSESSMENT9

4 COST TO MAKE AND SELL10

4.1 VERIFICATION OF COSTS TO AUDITED FINANCIAL STATEMENTS10

4.2 VERIFICATION OF COSTS TO SOURCE DOCUMENTS10

4.3 RELATED PARTY PURCHASES10

4.4 COST TO MAKE AND SELL – SUMMARY10

5 VERIFICATION OF DOMESTIC SALES11

5.1 VERIFICATION OF DOMESTIC SALES TO AUDITED FINANCIAL STATEMENTS11

5.2 VERIFICATION OF DOMESTIC SALES TO SOURCE DOCUMENTS11

5.3 RELATED PARTY CUSTOMERS11

5.4 ARMS LENGTH12

5.5 ORDINARY COURSE OF TRADE12

5.6 SUITABILITY OF DOMESTIC SALES AND PROFIT12

5.7 DOMESTIC SALES – SUMMARY13

6 ADJUSTMENTS14

6.1 CREDIT TERMS14

6.2 PACKAGING14

6.3 INLAND TRANSPORT14

6.4 EXPORT HANDLING14

6.5 EXPORT AGENT FEE14

6.6 AUSTRALIAN BRANCH EXPENSES15

6.7 NON-REFUNDABLE VALUE-ADDED TAX15

6.8 ADJUSTMENTS – CONCLUSION15

7 NORMAL VALUE – ASSESSMENT16

8 DUMPING MARGIN17

9 APPENDICES AND ATTACHMENTS18

1 BACKGROUND

On 19 October May 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an investigation into alleged dumping of certain aluminium extrusions exported to Australia from the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co., Ltd (JS Aluminium) and Guangdong Zhongya Aluminium Company Limited; and the Kingdom of Thailand (Thailand)

Anti-Dumping Notice (ADN) No. 2017/144 provides further information on the investigation and is available on the Anti-Dumping Commission's website at www.adcommission.gov.au. The background relating to the initiation of this investigation is contained in *Anti-Dumping Commission Consideration Report No. 442*.

Following initiation of the investigation, the Commission wrote to JS Aluminium inviting it to cooperate with the investigation. JS Aluminium provided a complete exporter questionnaire response and relevant attachments for the period 1 October 2016 to 31 September 2017 (the investigation period).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

JS Aluminium exported aluminium extrusions to Australia during the investigation period. These goods were of varying finishes, alloy content and temper grades. The goods exported to Australia were sold directly to Australian customers by JS Aluminium with its Australian branch, Guangdong Jiangsheng Aluminium (Australia) Pty Ltd (JS Australia), facilitating the importation and delivery of the goods to these customers.

2.2 Like goods sold on the domestic market

During the investigation period, JS aluminium sold aluminium extrusions to domestic customers in China. These goods were of varying finishes, alloy content and temper grades. The verification team considers that aluminium extrusions manufactured for domestic consumption are identical to, or have characteristics closely resembling, the aluminium extrusions JS Aluminium exported to Australia during the investigation period, as they:

- have physical characteristics that are similar, such as finishes, alloy content and temper grades;
- are produced at the same facilities, using the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike where the end use are similar, notwithstanding customer specific designs.

2.3 Model matching

The verification team notes that the application for the publication of a dumping duty notice (the application) made claims that a particular market situation exists in the Chinese domestic aluminium extrusions market. Without pre-empting the Commissioner's decision on the market situation finding, the verification team notes that normal values under 269TAC(2)(c) of the *Customs Act 1901*¹ does not require matching domestic models to export models of aluminium extrusions.

In constructing normal values, the cost of production or manufacture of the goods² has been determined for each model based on finish (mill, powder coated, anodised and bright dipped)

2.4 Like goods – assessment

The verification team considers that the aluminium extrusions produced by JS Aluminium for domestic sale has characteristics closely resembling those of the goods that were

¹ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

² 269TAC(2)(c)(i)

PUBLIC RECORD

exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1).

3 VERIFICATION OF EXPORT SALES

3.1 Verification of export sales to audited financial statements

The verification team verified the completeness and relevance of JS Aluminium's export sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.1.1 Sales outside the goods description

At the start of the visit, JS Aluminium stated that it inadvertently included sales transactions of products that were outside the goods description. During the visit, other sales transactions of products that were not the goods were also found in the sales spreadsheet. The verification team were satisfied that these products were not the goods and excluded these transactions from the export sales spreadsheet.

3.1.2 Sales via a domestic trader

JS Aluminium advised that it was aware that one of its domestic customer purchases aluminium extrusions for export to Australia. It stated that it had knowledge that the aluminium extrusions purchased by this domestic customer was exported to Australia and also delivers the aluminium extrusions to the port. Therefore, verification team considers that these sales should be treated as exports to Australia by JS Aluminium through a domestic trader and moved these transactions from the domestic sales spreadsheet to the export sales spreadsheet and listed the shipping terms as free-on-board (FOB).

3.2 Verification of export sales to source documents

The verification team verified the accuracy of JS Aluminium's export 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, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Ocean freight and document fees

JS Aluminium advised that in preparing for the verification visit, it discovered errors in relation to ocean freight and document fees for certain transactions. It stated that error was due to data entry errors and provided a revised export sales spreadsheet with these errors rectified.

During the verification, it was discovered that for one selected invoice, the incorrect weight was used to allocate the ocean freight and document fees to that invoice. The verification team updated the calculation with the correct weight and found the difference to be immaterial.

3.2.2 Port handling charge

JS Aluminium advised that in preparing for the verification visit, it discovered an error in the calculation of the weighted average port handling charges for May 2017. It stated that the port handling charges are invoiced on a monthly basis and provided copies of the invoices for each month over the investigation period. Therefore, the export sales spreadsheet was revised with the correct calculation of the port handling charge for May 2017.

3.2.3 Inland transport and Australian management expenses

To verify the direct export selling expenses, JS Aluminium provided a workbook that contained the calculation for each expense, including inland transport and the JS Australia's office expenses. However, there were certain transactions where the inland transport and office expenses calculated in the workbook was different from the inland transport and office expenses reported in the export sales spreadsheet. The verification team was satisfied that the expenses reported in the workbook was accurate and reconciled to source documents. Therefore, the inland transport and office expenses in the export sales spreadsheet was revised to reflect the inland transport expense calculated in the export selling expenses workbook.

3.2.4 Air freight sales

The export sales spreadsheet included several transactions where the net invoice value was negative. JS Aluminium advised that these sales were delivered via airfreight and it reported the airfreight charge under ocean freight while the invoice price was at ex-works. As the cost of the airfreight was greater than the aluminium extrusion, the FOB formula was generating a negative value.

As the invoice price was already reported at ex-works, the verification team removed the expenses relating to airfreight from the sales spreadsheet. To obtain an FOB export price, the verification team added the weighted average inland transport, document fee and port charges over the investigation period of the other transactions that were delivered duty paid (DDP).

3.2.5 Debit notes

For certain transactions, JS Aluminium reported debit notes or cost recovery changes where it passed on certain expenses incurred by JS Aluminium to its customers. In the export sales spreadsheet, the debit note amounts were added to the net invoice price. However, the verification team found that the costs relating to these debit notes were not included as a direct selling expense. Therefore, the verification team revised the net invoice price to exclude the debit notes in the export sales spreadsheet.

3.3 The exporter

For export sales during the investigation period, the verification team considers JS Aluminium to be the exporter of the goods³. JS Aluminium manufactured the aluminium extrusion that is exported to Australia. It also arranges delivery of aluminium extrusions from its manufacturing facility to the port of discharge.

3.4 The importer

The verification team notes that while JS Australia is named as the consignee on the bill of lading and is declared as the importer on the importation declaration to the Australian Border Force, the verification team considers that JS Australia functions as a branch of JS Aluminium.

In addition, the verification team has found that:

- JS Aluminium invoices the Australia customers on a DDP basis;
- JS Aluminium recognises all the importation, delivery and office management expenses in its accounts.

Therefore, the verification team considers JS Aluminium to be the beneficial owner of the goods at the time of importation and therefore the importer.

3.5 Related party customers

The visit team did not identify any information that might suggest that JS Aluminium was related to any of its Australian customers, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms' length

In respect of aluminium extrusions exported by JS Aluminium to Australia during the investigation 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; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁴

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; 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.

⁴ Section 269TAA of the Act refers.

PUBLIC RECORD

The verification team therefore considers that JS Aluminium's sales of aluminium extrusions during the investigation period were arms length transactions.

3.7 Export sales – assessment

The verification team is satisfied that the revised Australian sales listing is complete, relevant and accurate

For sales of aluminium extrusions exported directly to Australia by JS Aluminium, the verification team has found that the goods have *not* been exported to Australia otherwise than by the importer. Therefore, the verification team recommends that the export price be determined under paragraph 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the verification team recommends that export price be established using the DDP invoice price paid by the Australian customers, less transport and other costs arising after exportation, except for sales delivered via airfreight. For those sales delivered via airfreight, the verification team recommends that export price be established using the ex-works price plus inland transport and port charges.

For sales of aluminium extrusions exported by JS Aluminium through a domestic trader, the verification team has found that the goods have *not* been purchased by the importer from the exporter. Therefore, the verification team recommends that the export price be determined under paragraph 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the verification team recommends that export price be established using the FOB invoice price paid by the domestic trader.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of JS Aluminium cost to make and sell (CTMS) spreadsheets by reconciling these to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team was able to verify the accuracy of JS Aluminium cost to make spreadsheets to source documents in accordance with ADN No. 2016/30.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Misallocation of other manufacturing costs

JS Aluminium provided cost data which had allocated 'other manufacturing costs' between the different products incorrectly. JS Aluminium corrected this misallocation and provided a new set of CTMS data to the verification team.

4.2.2 Raw Material Purchase List

The verification team noted that the purchase price listed in the raw material purchase listing was inclusive of value added tax (VAT) where the VAT exclusive price was required. Therefore, JS Aluminium provided a revised raw material purchase listing to include the VAT exclusive purchase price.

4.3 Related party purchases

The verification team did not identify any additional suppliers that may be related to JS Aluminium, based on the relevant response to the Exporter Questionnaire and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified JS Aluminium's revised CTMS spreadsheet to audited financial statements and source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

JS Aluminium verified CTMS spreadsheets are at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of JS Aluminium's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.1.1 Export sales via a domestic trader

As discussed in section 3.1.2 above, the verification team considers sales to a domestic trader to be export sales to Australia as it knowingly delivers the goods to the port of discharge for export to Australia. Therefore, these transactions were removed from the domestic sales spreadsheet.

5.2 Verification of domestic sales to source documents

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

The verification team identified one issue in relation to reimbursements. No other issues were identified. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2.1 Discounts

JS Aluminium provides a discount to certain domestic customers at a specific percentage of the invoice price. However, the discount report in the domestic sales spreadsheet was based on an invoice price inclusive of value added tax (VAT). Therefore, the verification team amended the formula to be based on the VAT exclusive invoice price.

5.2.2 Reimbursements

The domestic sales listing included transactions with zero quantity and negative invoice values. JS Aluminium explained that these reimbursements were made as compensation to the domestic customer for certain issues however, it was not able to identify which sale the reimbursement related to. Accordingly, the verification team excluded these transactions with zero quantity and negative values from the domestic sales listing.

5.3 Related party customers

JS Aluminium identified one related domestic customer. The visit team did not identify any information that might suggest that JS Aluminium was related to any other domestic customers, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

5.4 Arms length

In respect of domestic sales of the goods made by JS Aluminium to its related customer, the verification team undertook an analysis of the selling prices between the related domestic customer and a number of other unrelated domestic customers. The verification team considers that the price was influenced by a commercial or other relationship as there was a discernible difference between the selling prices between the related and unrelated customers, and therefore are not arms length transactions.

In respect of domestic sales of the goods made by JS Aluminium to its unrelated customers during the investigation 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; 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 domestic sales made by JS Aluminium to unrelated customers during the investigation period were arms length transactions.

5.5 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the net revenue for each domestic sale of aluminium extrusions to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

5.6 Suitability of domestic sales and profit

As discussed in section 2.3 above, normal values have been constructed using the costs to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

PUBLIC RECORD

The profitability of domestic sales of like goods has been calculated by comparing the selling price with the corresponding quarterly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT⁵.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used to work out an amount for profit under Regulation 45(2) of the *Customs (International Obligations) Regulation 2015*.

The domestic sales listing is at **Confidential Appendix 3**.

⁵ Section 45(2) of the *Customs (International Obligations) Regulation 2015*

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free on board (FOB) terms, the verification team is recommending the following adjustments in accordance with 269TAC(9).

6.1 Credit terms

The verification team considers that a downward adjustment to the normal value for domestic credit terms is necessary to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average number of credit days for domestic sales and the short term loan rate.

The verification team considers that an upwards adjustment to the normal value for export credit terms is necessary to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average number of credit days for export sales and the short term loan rate.

6.2 Packaging

The verification team considers that a downward adjustment to the normal value for domestic packaging is necessary to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average quarterly packaging cost of domestic sales.

The verification team considers that an upwards adjustment to the normal value for export packaging is necessary to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average quarterly packaging cost of export sales.

6.3 Inland transport

The verification team considers that an upward adjustment to the normal value for export inland transport expenses is required to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average export inland transport cost of DDP sales over the investigation period.

6.4 Export Handling

The verification team considers that an upward adjustment to the normal value for export handling expenses is required to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average export handling cost of DDP sales over the investigation period.

6.5 Export agent fee

The verification team considers that an upward adjustment to the normal value for the export agent fee is required to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average export agent fee over the investigation period.

6.6 Australian branch expenses

The verification team considers that an upward adjustment to the normal value for the Australian branch expenses is required to ensure a fair comparison to the FOB export price. The verification team recommends applying this adjustment based on the weighted average Australian branch expenses over the investigation period.

6.7 Non-refundable value-added tax

The verification team considers that an upward adjustment to the normal value for non-refundable VAT is required to ensure a fair comparison to the FOB export price. JS Aluminium incurs a non-refundable VAT expense on export sales to Australia of 4 per cent, being the difference between the VAT rate of 17 per cent less 13 per cent VAT refunded on export sales of aluminium extrusions. Therefore, the verification team recommends applying this adjustment by adding 4 per cent to the normal value.

6.8 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct the cost of domestic credit
Domestic packaging	Deduct the cost of domestic packaging
Export packaging	Add the cost of export packaging
Export inland transport	Add the cost of export inland transport
Export handling expenses	Add the cost of export handling expenses
Export agent fees	Add the cost of export agent fees
Australian branch expenses	Add the cost of the Australian branch office expenses
Non-refundable VAT	Add the non-refundable VAT amount of 4 per cent
Export credit terms	Add the cost of export credit

7 NORMAL VALUE – ASSESSMENT

As stated in section 2.3 above, the application has claimed that a particular market situation exists in the Chinese domestic aluminium extrusion market.

In the event that a market situation is found, normal values can be constructed under 269TAC(2)(c) using:

- JS Aluminium's cost to make the reasonably reflect competitive market costs⁶; plus
- SG&A on the assumption that the goods, instead of being exported, were sold domestically; plus
- A rate of profit, as discussed in section 5.6 above, has been added using its domestic sales of like goods made in the ordinary course of trade⁷.

The verification team has not determined whether there is a particular market situation or whether the costs of production in the exporter's records reasonably reflect competitive market costs. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that in the event of the case team constructing normal values under 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above.

⁶ Section 43(2) of the *Customs (International Obligations) Regulation 2015*

⁷ Section 45(2) of the *Customs (International Obligations) Regulation 2015*

8 DUMPING MARGIN

The verification team has referred the determination of the normal value to the case management team therefore, the verification team has not calculated a preliminary dumping margin.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Attachment 1	Verification work program