



REVIEW 392

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

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

**VISIT REPORT - EXPORTER
GUANGDONG ZHONGYA ALUMINIUM COMPANY LIMITED**

**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**

JUNE 2017

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1 BACKGROUND

Public notification of the initiation of this review was made on 23 March 2017 in Anti-Dumping Notice (ADN) No. 2017/38¹. The background relating to the initiation of this review is contained in Consideration Report 392².

This review includes a review of the anti-dumping measures as they affect all exporters of the goods exported to Australia from China. Guangdong Zhongya Aluminium Company Limited (Zhongya) was identified by the Anti-Dumping Commission (the Commission) as one of the five selected exporters to be examined for the purposes of this review.

The Commission notified Zhongya of the initiation of the review and sought its cooperation through the completion of an exporter questionnaire. Zhongya submitted a completed exporter questionnaire response (REQ) and relevant attachments on 4 May 2017.

¹ Electronic Public Record (EPR) 392/002 refers.

² EPR 370/001 refers.

2 THE GOODS AND LIKE GOODS

2.1 The goods

The goods the subject of the current anti-dumping measures (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.

The goods include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.

The goods do not extend to intermediate or finished products that are processed or fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.

3.1 Tariff classification of the goods

The goods subject to the measures may be classified to the following subheadings in Schedule 3 of the *Customs Tariff Act 1995*:

7604.10.00/06	non alloyed aluminium bars, rods and profiles;
7604.21.00/07	aluminium alloy hollow angles and other shapes;
7604.21.00/08	aluminium alloy hollow profiles;
7604.29.00/09	aluminium alloy non hollow angles and other shapes;
7604.29.00/10	aluminium alloy non hollow profiles;
7608.10.00/09	non alloyed aluminium tubes and pipes;
7608.20.00/10	aluminium alloy tubes and pipes;
7610.10.00/12	doors, windows and their frames and thresholds for doors
7610.90.00/13	Other

Given the purpose of the visit was limited to countervailing only, we did not seek any additional comments with regard to goods or like goods.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

Zhongya exported aluminium extrusions to Australia, but sold the goods through an affiliated company. Prior to the verification Zhongya provided revised sales of the GUC. The company stated that its accounting system did not distinguish between the GUC and non-subject goods and minor discrepancies were found during preparation for the verification. Totals remained unchanged. The verification team verified the completeness and relevance of Zhongya's Australian sales by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Zhongya's Australian sales did not reconcile to the Australian sales listing provided in the REQ. Zhongya advised that this listing was the volume and value of goods exported to Australia by its affiliated company. Zhongya stated the difference was attributable to timing differences for accounting entries between the two companies and that the invoice value represented the amount paid by the Australian importer, not Zhongya's invoice value to its affiliated company.

The verification team verified the completeness and relevance of Australian sales by Zhongya's affiliated company by reconciling it to management accounts.

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**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Australian sales by Zhongya's affiliated company by reconciling it to source documents in accordance with ADN No. 2016/30. The verification team did not identify any issues during the verification of the Australian sales to source documents. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 The exporter

For all Australian export sales during the review period, the verification team considers Zhongya to be the exporter of the goods.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.

3.4 The importer

The verification team considers that Zhongya's Australian customers are the beneficial owners of the goods at the time of importation, and are therefore the importers of the goods exported by Zhongya during the review period.

3.5 Related party customers

The verification team did not identify any Australian customers that were related to Zhongya or its affiliated company based on the REQ, sales data and audited financial statements.

3.6 Arm's length

In respect of Australian sales of aluminium extrusions made by Zhongya's affiliated company to Zhongya's Australian customers 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; 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.⁴

The verification team therefore considers that all export sales to Australia made by Zhongya's affiliated company during the review period were arm's length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. However, the goods were not purchased by the importer from the exporter. 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 determined the export price as the price paid by the importer less transport and other costs arising after exportation. The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

⁴ Section 269TAA of the Act refers.

4 COUNTERVAILING

4.1 General

As part of the exporter questionnaire, Zhongya was asked to provide responses regarding the 20 countervailable subsidies identified as part of the prior review (Review 248).

Zhongya was also requested to provide information on any other benefit it may have received from the Government of China or any other public body or authorised body.

4.2 Preferential income tax programs (programs 18, 47 and 48)

In its exporter questionnaire response, Zhongya stated that it did not receive a benefit under any preferential income tax programs during the review period. As identified in Review 248, the tax reductions Zhongya had previously received ceased due to the expiry of the 5 year qualification period.

The verification team verified the accuracy of these claims by verifying the amount of tax paid to the relevant tax returns, payment records and to the 2016 audited financial statements. These reconciliations verified that Zhongya had paid tax at a rate of 25% and had not received any rebates or offsets during the review period.

4.3 Grants and preferential policies (Programs 2, 3, 4, 5, 6, 7, 8, 9, 26, 29, 32, 35, 56 and 58)

In its exporter questionnaire response, Zhongya stated that it benefited from grants under programs 2, 56 and 58. As evidence of the grants it provided with its REQ:

- application forms for the grants (where applicable);
- proof of receipt; and
- a listing of the grants received.

The verification team verified the accuracy of the information provided by reviewing a sample of the original copies of the proofs of receipt provided and verifying the payments to the relevant ledgers. For completeness, the verification team obtained a copy of the relevant ledger for the review period, which did not reveal any additional subsidies or grants, and reconciled this to the relevant non-operating income reported in Zhongya's 2016 audited financial statements.

4.4 Tariff and VAT Exemptions on Imported Materials and Equipment (Program 21)

Zhongya stated that it had not imported any equipment since 2009 and that all assets acquired after 2009 had all been purchased from domestic manufacturers. As part of its exporter questionnaire response, Zhongya provided an imported asset schedule summary relating to benefits received under program 21.

To verify the accuracy of the schedule provided, the verification team reviewed Zhongya's asset register and traced the purchase of a sample of high value assets during the review

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period to source documents. A review of these source documents identified that these equipment purchases were not applicable to program 21.

Zhongya advised that three assets included in review 248's subsidy margin calculations had now been fully depreciated. Zhongya submitted that these assets should no longer be included in the subsidy margin calculations for program 21. Zhongya confirmed that relevant fixed asset cards could be provided to substantiate that these assets had been fully depreciated. However, due to relevant staff being on leave, Zhongya was unable to provide these asset cards at the time of the preparation of this report.

The verification team has included these three assets in the subsidy margin calculations for the current review. However, the verification team advised Zhongya that this evidence could be presented to the case manager by way of submission prior to the publication of the Statement of Essential Facts should they wish to have these assets excluded from the final subsidy margin calculations. The verification team noted that the removal of the three assets from the subsidy calculations would not have a material impact on the aggregate preliminary subsidy margin calculated for Zhongya.

Having considered that Zhongya's claims in relation to this program were also verified in review 248 and earlier duty assessments, the verification team is satisfied that the benefit received by Zhongya from program 21 has been accurately recorded (subject to evidence for the abovementioned three assets being provided).

4.5 Aluminium provided by government at less than adequate remuneration (Program 15)

In its exporter questionnaire response Zhongya provided details of its suppliers and a detailed listing of its aluminium ingot purchases.

At the visit, to support its claim that the aluminium suppliers were not state owned enterprises (SOE), Zhongya provided company searches showing each supplier's ownership structure. However, it was noted that one of the suppliers was not the original producer of the ingot supplied and, as a consequence, Zhongya was unable to confirm whether an SOE was the source of this aluminium. The verification team notes that the ingot supplied by this entity represented less than 1% of the total volume of ingot purchased by Zhongya during the review period.

To ensure that all aluminium purchases were captured in the aluminium purchases spreadsheet, the visit team asked Zhongya to provide the aluminium purchase ledger from its system. The verification team matched the total aluminium purchases shown in the aluminium purchases spreadsheet with the aluminium purchase ledger. Having done so, the verification team are satisfied that the aluminium purchases spreadsheet is complete.

The verification team reconciled the volumes and values for each supplier in the aluminium purchases spreadsheet to the aluminium purchase ledger. The verification team are therefore satisfied that all suppliers of aluminium ingot to Zhongya are identified.

To verify the accuracy of the aluminium purchases spreadsheet, the verification team obtained copies of source documents (e.g. accounting entries, invoices and proof of payment) relating to one transaction from each of Zhongya's suppliers during the review

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period. The verification team matched the volume and value of the source documents. A variation of volume on one invoice was identified. However, it appears that this was a printing error. There was also a slight variation between the contract price and the invoiced prices, however, this variation was not material and verification team is satisfied that the actual price paid is reflected in the spreadsheet provided by Zhongya.

4.6 Other Programs

Zhongya advised in its REQ that it had not received any other benefit that may have been received from the Government of China or any other public body or authorised body.

During the course of the verification, the verification team did not identify any information which would indicate that this was not the case.

4.7 Subsidy calculations

The Commission is in possession of sufficient information to calculate a countervailing margin for all programs examined, should the programs be determined to be countervailable.

The preliminary determination of the subsidy margin is 0.10%

The preliminary subsidy calculations are at **Confidential Appendix 2**.

5 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price calculations
Confidential Appendix 2	Preliminary subsidy calculations
Confidential Attachment 1	Verification work program, with attachments