



ADC 362

**INVESTIGATION INTO THE ALLEGED DUMPING AND
SUBSIDISATION APPLYING TO
CERTAIN ALUMINIUM EXTRUSIONS
EXPORTED FROM
FROM MALAYSIA AND THE SOCIALIST REPUBLIC OF
VIETNAM**

VISIT REPORT - EXPORTER

LB ALUMINIUM BERHAD

NOVEMBER 2016

**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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1 BACKGROUND

On 16 August 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an investigation in respect of the alleged dumping and subsidisation of aluminium extrusions exported from the Malaysia and the Socialist Republic of Vietnam (Vietnam).

Anti-Dumping Notice (ADN) No. 2016/77 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at www.adcommission.gov.au.

The background relating to the initiation of this investigation is contained in Consideration Report 362.

Following this initiation, the Commission wrote to LB Aluminium inviting it to cooperate with the investigation regarding aluminium extrusions. LB Aluminium provided a completed exporter questionnaire response (EQR) and relevant attachments for the investigation period (1 July 2015 to 30 June 2016).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period LB Aluminium exported aluminium extrusions of varying lengths, wall thicknesses, sizes, temper grades and profiles. The aluminium extrusions for the export market were finished in painted or anodized.

All aluminium extrusions produced by LB Aluminium for Australian customers was made to order, and therefore no stock was kept on site.

2.2 Like goods sold on the domestic market

During the investigation period LB Aluminium also sold aluminium extrusions to domestic customers in varying lengths, wall thicknesses, sizes, temper grades and profiles.

Unlike goods produced for export, LB Aluminium indicated that goods for domestic sale are produced both to order and from stock, depending on specifications or whether the goods are customized or not.

The verification team considers that the goods manufactured by LB Aluminium for domestic consumption are identical to, or have characteristics closely resembling, the goods LB Aluminium exported to Australia, as they:

- have similar physical characteristics
- are commercially alike:
- are functionally alike; and
- are produced at the same facility with the same raw material inputs and manufacturing processes.

2.3 Model matching

For the purpose of model matching, the visit team considers that it is appropriate to have regard to:

- Finish (Mill, anodized, powder-coated, or painted)

The verification team has chosen these criteria because it observed in the sales data that these characteristics can affect price.

2.4 Like goods – preliminary assessment

The verification team considers that aluminium extrusions produced by LB Aluminium for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act) ¹.

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

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

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

The verification team was satisfied of the completeness and accuracy of the Australian sales listing with relation to reconciliation upwards through to audited financial statements.

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 LB Aluminium's export sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team verified found that the amount of ocean freight had been understated because it was allocated over all shipments each month, including FOB shipments. The amount for ocean freight was subsequently recalculated excluding FOB shipments and amended in the Australian sales spreadsheet.

The verification team also noted that a small amount of sales were listed as powder coated, when in fact they were painted. The Australian sales spreadsheet was updated to reflect this minor change.

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 inquiry period, the verification team considers LB Aluminium to be the exporter of the goods.²

3.4 The importer

The verification team considers that, in relation to the goods³ exported by LB Aluminium, the customers listed in the Australian sales spreadsheet were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods.

² 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 Section 2.1

3.5 Related customers

The verification team did not identify any Australian customers which were related to LB Aluminium based on the company's REQ, sales data and audited financial statements.

3.6 Arms length

In respect of export sales of aluminium extrusions to Australia by LB Aluminium 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, whole or any part of the price.

The verification team therefore considers that all sales of aluminium extrusions exported to Australia by LB Aluminium during the inquiry period were arms length transactions.⁴

3.7 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter 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 outlines the circumstances in which the price paid or payable shall not be treated as being at arms-length. These are where: there is any consideration payable for or 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; or, 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.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

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

A small difference in the cost of electricity in the September quarter was noted by the verification team. LB Aluminium explained that the cost to make excluded electricity used by the cutting department as this was not related to the GUC.

The total cost to make listed in the REQ showed a divergence of 0.5 per cent from the audited financial statements. This was deemed to be immaterial by the verification team.

LB presented the CTMS for each finish type, including SG&A expenses. The CTMS anodised, powder coated and painted finishes only included the additional costs to make and SG&A expenses (calculated from the unit rate per kg for all SG&A expenses). It became apparent that SG&A expenses had been 'double-counted' for finish types other than mill finish. The CTMS data was then revised by the visit team.

The verification team did not find any other issues with the verification of costs to audited financial statements.

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

4.2 Verification of costs to source documents

The verification team verified the accuracy of LB Aluminium's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues.

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

4.3 Related party purchases

The verification team did not identify any related party purchases.

4.4 Cost to make and sell – summary

Having verified LB Aluminium's CTMS data for aluminium extrusions to audited financial accounts and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

LB Aluminium's revised CTMS spreadsheet is 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 LB Aluminium's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team noticed a difference of 0.48 per cent when reconciling the domestic sales. LB Aluminium explained that the domestic sales spreadsheet did not include credit notes. Because of the relatively small amount that credit notes accounted for, the verification team concluded it was immaterial. It was explained to LB Aluminium, however, that credit should usually be included.

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

The verification team was able to reconcile the volume and value of sales to LB Aluminium's audited financial statements.

5.2 Verification of domestic sales to source documents

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

The verification team did not identify any other issues during the downwards verification of domestic sales.

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

5.3 Related customers

The verification team did not identify any information that might suggest any of its Domestic customers were related to LB Aluminium based on the company's EQR, sales data and audited financial statements.

5.4 Arms length

In respect of LB Aluminium's sales of aluminium extrusions to 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 directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales by LB Aluminium during the inquiry 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 revenue (i.e. net sales value) for each domestic sale of aluminium extrusions to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

As noted in section 4.1, the verification team revised LB Aluminium initial CTMS figures because of a double counting error relating to SG&A expenses. This had the effect of bringing more sales into the OCOT.

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 OCOT. All models were found to be recoverable.

5.6 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The verification team found there was a sufficient volume of domestic sales made in OCOT for all models of aluminium extrusions exported to Australia during the investigation period.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing provided by LB Aluminium is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1).

The domestic sales spreadsheet is at **Confidential Appendix 1**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value⁵.

6.1 Packing

During the visit LB Aluminium explained that it did not recognise a difference in packaging costs between the goods exported to Australia and the goods it sells on the domestic market. As a result, costs relating packing expenses were considered identical for the goods exported and like goods sold domestically.

During a plant tour the verification team observed goods being packed for both export and domestic markets and no discernible difference was identified in the materials and form of packaging being used.

The verification team considers LB Aluminium's statements regarding packing differences is accurate and an adjustment for packing expenses is therefore not required to ensure a fair comparison to the export price.

6.2 Inland transport

The verification team considers a downwards adjustment for domestic inland transport to the customer is required to ensure a fair comparison to the export price. The verification team applied these downwards adjustments based on the actual inland transport expenses verified in the domestic sales spreadsheet.

The verification team considers an upward adjustment for export inland transport is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on the weighted average inland transport expenses verified in the export sales spreadsheet.

6.3 Credit terms

The verification team considers a downwards adjustment to the normal value for domestic credit is required to ensure a fair comparison to the export price. The verification team applied a downwards adjustment based on the credit days listed for each domestic transaction and the average mid-range short term borrowing rate for each six month period of the investigation period.

The verification team considers an upward adjustment for export credit terms are required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based credit days listed for each export transaction and the average borrowing rate (Malaysian central bank rate).

⁵ In accordance with subsection TAC(8)

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6.4 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

Adjustment Type	Deduction/addition
Domestic inland transport	Less an amount for domestic inland transport
Domestic credit	Less an amount for domestic credit
Export inland transport	Add an amount for inland transport
Export credit	Add an amount for export credit

7 NORMAL VALUE

As noted in section 4.1 and 5.5, CTMS figures were revised during the verification visit because of a double counting error relating to SG&A expenses. This revision had the effect of widening the number of sales in the OCOT and subsequently lowered the normal value as compared to the normal value initially calculated for the purposes of the preliminary affirmative decision detailed in ADN 2016/108.

The verification team is satisfied that it found sufficient volumes of domestic sales of aluminium extrusions all models exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of aluminium extrusions for those models are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in Chapter 6

Normal value calculations are at **Confidential Appendix 1**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period.⁶

The dumping margin in respect of aluminium extrusions for LB Aluminium for the investigation period is **0.5 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 1**.

⁶ In accordance with subsection 269TACB(2)(a).

9 SUBSIDIES

9.1 Program 1: Pioneer Status Program

In its REQ, LB Aluminium stated it had not benefited from Program 1. From an examination of income tax returns for the years 2013 to 2015, the assessment team did not find any evidence to suggest that LB Aluminium had benefited from Program 1 during the investigation period.

9.2 Program 2: Investment tax allowance

In its REQ, LB Aluminium stated it had not benefited from Program 2. From an examination of income tax returns for the years 2013 to 2015, the assessment team did not find any evidence to suggest that LB Aluminium had benefited from Program 2 during the investigation period.

9.3 Other Double Deduction Tax Programs

The GOM in its Government Questionnaire response provided details of certain income tax related double deductions available to certain entities in Malaysia.

Although not disclosed in its REQ, LB Aluminium confirmed during the visit that it had claimed a double income tax deduction relating to insurance premiums for imports and exports of cargo during the investigation period. An examination of LB Aluminium's 2015 tax return also confirmed this to be the case. However, LB Aluminium's financial year concludes in April and the tax records which cover the remainder of the investigation were not yet complete at the time of verification. The Commission will seek to obtain a copy of the 2016 income tax statement when this is becomes available.

The assessment team has calculated that the quantum of the income tax double deductions claimed by LB Aluminium during the 2015 financial year in the context of total company sales is relatively immaterial, therefore any benefit likely to be received by LB Aluminium under the income tax double deduction programs for the second half of the investigation period is likely to be either non-existent or negligible.

Details of the verification of subsidies are contained within the verification work program at **Confidential Attachment 1**.

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10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Dumping margin
Confidential Appendix 2	CTMS spreadsheet
Confidential Attachment 1	Verification work program, with attachments