



INVESTIGATION 442

**INVESTIGATION INTO THE ALLEGED
DUMPING OF CERTAIN ALUMINIUM
EXTRUSIONS EXPORTED FROM THE PEOPLE'S
REPUBLIC OF CHINA BY GUANGDONG
JIANGSHENG ALUMINIUM CO., LTD AND
GUANGDONG ZHONGYA ALUMINIUM COMPANY
LIMITED, AND THE KINGDOM OF THAILAND**

VISIT REPORT - EXPORTER

SCHIMMER METAL STANDARD CO., LTD (SMS)

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 19 October 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an investigation into the alleged dumping of certain aluminium extrusions (the goods) exported to Australia from the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co., Ltd and Guangdong Zhongya Aluminium Company Limited (Zhongya Aluminium); all exporters from the Kingdom of Thailand (Thailand). The background to initiation of this investigation is contained in Anti-Dumping Notice (ADN) No. 2017/144.

Following initiation of the investigation, a search of the Australian Border Force import database indicated that Schimmer Metal Standard Co., Ltd (therein referred to as 'SMS') exported certain aluminium extrusions to Australia from Thailand during the period 1 October 2016 to 30 September 2017 (the investigation period).

The Anti-Dumping Commission (the Commission) sought SMS's cooperation through the completion of an Exporter Questionnaire regarding the goods.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period SMS exported certain aluminium extrusions ('the goods') to Australia. The goods SMS exported to Australia during the investigation period were of varying finishes, shapes and sizes.

2.2 Like goods sold on the domestic market

During the investigation period, SMS also sold like goods to domestic customers in Thailand. The goods were of varying finishes, shapes, sizes, alloy content and temper grades.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, 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 (being billet) and manufacturing processes; and
- can be considered functionally and commercially alike, as they have similar end uses, notwithstanding customer specific designs in certain circumstances.

2.3 Model matching

The verification team considers it appropriate to model match the export sales of the goods to the domestic sales of like goods based on the following criteria:

- Finish (Mill Finish, Powder Coating, Natural Anodise, Anodising Black)
- Alloy (6060, 6061, 6063)
- Temper Grade (T5, T6)
- Micron as follows (for anodised goods only):

A	B
≤10um	>10um

2.4 Like goods – preliminary assessment

The verification team considers that the aluminium extrusions produced by SMS for domestic sale have characteristics closely resembling those of the goods exported to

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Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

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 SMS's Australian 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 to third country included in the Australian sales listing

During the visit, the verification team found that sales to a third country were included in the Australian sales listing. Therefore, verification team removed these transactions from the export sales listing.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of SMS's Australian 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 Invoice value errors

At the start of the visit, SMS advised that there were errors in the invoice value columns of the export sales columns. It explained that these errors were due to a copy/paste errors resulting in the misalignment of values. SMS rectified these errors in a revised sales listing.

During the visit, additional errors in invoice values were discovered, which SMS explained as data entry errors. In order to identify other similar errors, SMS provided a download of export sales over the investigation period by invoice numbers from its sales system, which listed the total invoice values for each invoice. The verification team identified a batch of invoices where the invoice values did not reconcile to the export sales spreadsheet. SMS provided invoices for these sales, which enabled the verification team to correct the errors in the sales spreadsheet.

3.2.2 Anodised goods- micron level

The verification team noted that for anodised goods, information relating to micron level was available in the source documents. SMS updated the Australian sales listing to include a column for micron level (for anodised goods only).

3.2.3 Missing export expenses

The verification team found that certain transactions had unusually low export expenses. A check of selected source documents confirmed that port charges were missing for some sales. SMS updated the Australian sales listing to reflect the actual export

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expenses for these sales. For two sales, SMS were unable to produce source documents. For these sales, an average export expense figure was calculated and added to the export expenses column.

3.2.4 Insurance

At the visit, SMS advised that for some transactions, trade insurance is included. The verification team requested a list of the sales made during the investigation period that included the insurance premium. This list was compared to the sales listing and five transactions did not have insurance premiums included where it should have. The Australian sales listing was updated to reflect the insurance premium cost for these transactions.

3.2.5 Packaging

SMS advised that the packing costs in the Australian sales listing were calculated from the monthly weighted average packing costs for both export and domestic sales. The verification team were not satisfied that this was a true reflection of the packaging costs to Australia and recalculated packing costs using the price setting formula used for Australian sales. The sales listing was updated to reflect this.

3.3 The exporter

For all Australian export sales during the investigation period, the verification team considers SMS to be the exporter of the goods². SMS manufactured the goods in response to orders received by unrelated Australian companies. SMS negotiated pricing and technical aspects directly with the Australian companies, and made sales as directed by these companies during the investigation period.

3.4 The importer

SMS required payment for the goods before export. Accordingly, the verification team considered that the customer listed in the Australian sales spreadsheet was the beneficial owners of the goods at the time of importation, and therefore 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.

3.5 Related party customers

The verification team did not identify any information that might suggest that SMS' Australian importers were related to SMS, based on SMS's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms' length

In respect of Australian sales of the goods made by SMS to its importers 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.³

The verification team therefore considers that all export sales to Australia made by SMS during the investigation period were arms' length transactions.

3.7 Export price – assessment

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

The verification team recommends that the export price be determined under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

Export prices were calculated at free-on-board (FOB) terms.

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

³ Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of SMS cost to make and sell (CTMS) spreadsheet by reconciling each 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**.

4.1.1 Variance to the audited financial statements

The verification team found a small discrepancy when reconciling the costs to audited financial statements. Although this variance was immaterial, the verification team distributed the variance across a revised cost to make and sell table.

4.2 Verification of costs to source documents

The verification team was able to verify the accuracy of SMS' cost of production spreadsheet 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 Variance to the source documents

The verification team found a small discrepancy when reconciling the costs to documents. SMS provided a revised Costs spreadsheet that the verification team were able to verify to source documents.

4.3 Related party purchases

Based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of the verification visit, the verification team did not identify any raw material suppliers that might be related to SMS.

4.4 Cost to make and sell – summary

Having verified SMS' revised CTMS spreadsheet to audited financial statements and source documents, the verification team is satisfied that the revised and amended CTMS spreadsheet for each entity is complete, relevant and accurate.

The 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 SMS' 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 Third country sales

The verification team identified, and source documents confirmed, two sales in the domestic sales listing were not to domestic customers. One of these sales was an export sale to Australia while another was to a third country. SMS explained that their accounting systems recognised these sales as domestic as they attracted VAT due to the shipping method. These sales were removed from the domestic sales listing and the Australian sale added to the Australian sales listing.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of SMS's domestic sales listing by reconciling it 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**.

5.2.1 Credit terms

SMS' domestic sales listing, for each sales transaction, listed the credit terms as a range (i.e. x-y days). At the verification team's request, SMS provided accurate credit terms for each customer and the domestic sales listing was updated to reflect these.

5.2.2 Anodised goods- micron level

At the verification team's request, SMS updated the domestic sales listing to include details of the microns used in sales of anodised extrusions.

5.2.3 Pieces and Quantity

The verification team found that there was a number of selected invoices did not list the weight of the aluminium extrusions on the commercial invoice and only the number of pieces were listed. For these invoices, SMS listed in the domestic sales spreadsheet the weight shown on the commercial invoice. However, two of the selected invoices where there were no weight shown on the commercial invoice showed different number of pieces on the order confirmation compared to the commercial invoice. Therefore, the verification team revised the weight of these affected transactions for the difference in the number of pieces.

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While the verification team made these adjustments for the selected invoices, the verification team found that the differences to be immaterial and elected not to attempt to identify other similar issues.

5.2.4 Inland Transport

The verification team noted that for one month, inland transport was unusually high. SMS explained that this month included annual expenses that were expensed in that month. Therefore, verification team distributed this expense on a pro-rata basis throughout the year and amended the sales listing accordingly.

In addition, SMS advised that there was an expense relating to expenses incurred in the previous month that was also expensed in that month, therefore, the verification team reallocated that expense to the appropriate month.

5.2.5 Packaging

SMS' original domestic sales listing did not contain any values for packaging costs. The verification team amended the domestic sales listing using the monthly weighted average packaging costs for the entire company, including export sales.

5.3 Related party customers

Based on SMS's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team did not identify any information that might suggest domestic customers were related to SMS.

5.4 Arms' length

In respect of domestic sales of the goods made by SMS to its 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 made by SMS to customers during the investigation period were arms' length transactions.

5.5 Ordinary course of trade

Section 269TAAD of the Act 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.

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The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods 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

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.

The Commission considers that low volume is less than 5% of the total volume of the goods under consideration that are exported to Australia. Applying the model matching criteria described at 2.3, the verification team found there was a sufficient volume of domestic sales of identical models made in the OCOT for all four of sixteen models exported to Australia during the investigation period. Where there were insufficient domestic sales of identical models exported to Australia, the verification team found sufficient sales of surrogate models for eleven export models. However, there was one export model where the verification team was unable to find sufficient sales of an appropriate surrogate model with a reasonable specification adjustment. Therefore, for this export model, the verification team constructed the normal value under 269TAC(2)(c) using the costs to make the exported goods, plus SG&A and profit on the assumption that the goods are sold on the domestic market.

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 OCOT⁴.

5.7 Domestic sales – summary

The verification team is satisfied that the revised domestic sales listing is complete, relevant and accurate, and sales that were arms' length in the OCOT and in sufficient volumes can be used for assessing normal value under subsection 269TAC(1).

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

⁴ 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 has considered the following adjustments.

6.1 Credit terms

The verification team confirmed that all export sales were fully paid prior to shipment of the goods, and thus no credit was provided and no upwards credit adjustment is warranted.

As discussed at 5.2.1 above, SMS provided, and the verification team confirmed, the credit terms for its domestic customers. The verification team considers it is appropriate to make a downwards adjustment to the normal value to reflect the credit terms provided in domestic sales and to ensure a fair comparison to the FOB export price.

To apply the credit adjustment, the verification team calculated the average number of credit days offered for all domestic customers and decreased the normal value using the average short term borrowing interest rate on SMS' short term borrowings. The effect of the credit adjustment was a decrease in normal value.

6.2 Inland transport

The verification team has verified the inland freight costs for domestic and was satisfied that the amounts provided in the sales listing are reasonable.

The verification team considers that a downwards adjustment for domestic inland freight costs are necessary to ensure a fair comparison to the FOB export price.

The verification team has applied these adjustments based on the weighted average cost (per) for these expenses over the investigation period.

6.3 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.

6.4 Export-related charges

A number of other charges were incurred on all the exports of the goods to Australia during the investigation period, including inland transport and export handling charges.

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The verification team were able to verify the accuracy of these fees in the source documents relating to the Australian export sales, and consider that these charges warrant an upwards adjustment to the normal value. The verification team made an upwards adjustment using the actual fees for each export transaction.

6.5 Insurance expenses

As explained in section 3.2.4, SMS paid insurance premiums for certain transactions.

The verification team considers that this expense warrants an upward adjustment to the normal value, and have made the adjustment based on the weighted average premiums paid.

6.6 Specification adjustment

For some export models, there were no, or insufficient, sales of identical models on the domestic market in the OCOT. For these export models, a similar surrogate domestic model was selected that had sufficient sales in the OCOT and a specification adjustment was made to the selling price to determine the normal value, accounting for the specification differences between the export and domestic surrogate models.

To carry out the specification adjustment, we determined what the specification price differences were on the domestic market, plus a gross margin, using data supplied by SMS.

6.7 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments. The verification team considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

Adjustment Type	Deduction/addition
Domestic credit	Deduct the cost of domestic credit
Domestic inland transport	Deduct the cost of domestic inland transport
Domestic packing	Deduct the cost of domestic packing
Export packaging	Add the cost of export packing
Export expenses	Add the cost of export expenses
Export insurance expenses	Add the cost of export insurance expenses
Specification adjustment	For models with no, or insufficient sales in the OCOT

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

7 NORMAL VALUE

The verification team is satisfied that it found sufficient domestic sales volumes of identical or surrogate models, for fifteen 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 a basis for normal value, 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 Section 6.

In relation to the export model where the verification team found that there were insufficient domestic sales volumes of identical or surrogate models, the verification team constructed the normal value under 269TAC(2)(c) using the cost to make the goods, plus SG&A on the assumption that the goods were sold domestically, plus an amount of profit.

In constructing a normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

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 investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by SMS for the investigation period is 22.1%.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments