



REVIEW OF MEASURES 392

**REVIEW OF MEASURES ON
ALUMINIUM EXTRUSIONS
EXPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA**

VISIT REPORT - EXPORTER

**PanAsia Aluminium (China) Co., Ltd
and
OPAL (Macao Commercial Offshore) Ltd**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
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1 BACKGROUND

On 13 February 2017, PanAsia Aluminium (China) Co., Ltd (PanAsia) submitted an application to the Commissioner of the Anti-Dumping Commission (Commissioner) for a single exporter review of anti-dumping measures in respect of certain aluminium extrusions (aluminium extrusions) exported to Australia by PanAsia from the People's Republic of China (China).

On 23 March 2017, the Commissioner gave public notice in Anti-Dumping Notice (ADN) No. 2017/38 of his decision to initiate a review of anti-dumping measures in respect of certain aluminium extrusions exported to Australia from China by all exporters. The background relating to the initiation of this review is contained in Consideration Report No. 392.

A search of the Australian Border Force import database indicated that OPAL (Macao Commercial Offshore) Ltd (OPAL) exported aluminium extrusions manufactured by PanAsia to Australia during the review period 1 January 2016 to 31 December 2016 (review period). In its application, PanAsia advised that it exported to Australia through OPAL, its related trading intermediary.

The Anti-Dumping Commission (the Commission) notified PanAsia of the review and sought its cooperation through the completion of an Exporter Questionnaire. Both PanAsia and OPAL provided completed responses to the Exporter Questionnaire and relevant attachments.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the review period, PanAsia exported aluminium extrusions to Australia through its related entity, OPAL. The extrusions exported to Australia had the following finishes:

- mill finish;
- anodised; and
- powder coated.

2.2 Like goods sold on the domestic market

During the review period, PanAsia sold aluminium extrusions to domestic customers in China. The extrusions sold domestically had the following finishes:

- mill finish;
- anodised; and
- powder coated.

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 the same production process;
- are produced at the same facilities and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

2.3 Model matching

Due to the market situation finding (see section 7 below), the verification team has constructed the normal value using the costs to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit. Therefore, model matching between export and domestic sales is not required.

2.4 Like goods – preliminary assessment

The verification team considers that aluminium extrusions produced by PanAsia for domestic sales have 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 References to any section or subsection in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

In its response to the Exporter Questionnaire, OPAL provided a detailed spreadsheet listing its Australian export sales of aluminium extrusions during the review period (referred to in this report as the Australian sales listing). The Australian sales listing excluded sales of electronic products and included the sale of aluminium extrusions that PanAsia considered were not the goods under consideration. The verification team is satisfied that aluminium extrusions classified by PanAsia as not the goods were correctly labelled after reviewing design drawings of certain products.

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

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 PanAsia's amended Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified issues relating to payment terms, exchange rates, finishes, marine insurance costs, ocean freight costs and packaging costs.

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

3.2.1 Payment Terms

The verification team identified that the actual payment date for export sales was significantly longer than the payment terms on the invoice. In addition, PanAsia was not able to provide proof of payment for certain selected transactions as they were unpaid despite being well past the payment due date. Therefore, the verification team does not consider that the payment terms on the invoice should be used and instead calculated and applied the average payment days from the selected invoices that were paid.

3.2.2 Exchange rates

The verification team identified that the Australian sales listing submitted prior to the verification used a single exchange rate for the inquiry period. During the verification, PanAsia provided an update to the exchange rates to reflect the exchange rate used in its account system, which is based on the last day of the previous month.

3.2.3 Finishes

The verification team found that the finish of the aluminium extrusion exported to Australia was different from the finish shown on the commercial invoice for certain selected export

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transactions. PanAsia advised that there was an error in the spreadsheet and the finish shown on the invoice was correct. PanAsia then revised the export sales spreadsheet with product category information extracted from its sales system, along with a table identifying the finish for each product category, which enable the finish to be matched to each transaction.

3.2.4 Marine insurance & Ocean Freight

The verification team was not initially able to reconcile the marine insurance and ocean freight expenses to the source documents. PanAsia advised that the marine insurance and ocean freight reported in the spreadsheet were estimates for the purpose of calculating the FOB value on the commercial price. The verification team advised that it required actual marine insurance and ocean freight costs and PanAsia updated the spreadsheet accordingly.

3.2.5 Packaging costs

The verification team identified that certain packaging costs in relation to wooden box and steel trolley expenses, which are specific to export sales, were not included. PanAsia advised that this was an inadvertent understatement of export packaging expenses. It was able to provide details on the cost of these additional export packaging costs and updated the export sales spreadsheet accordingly.

3.3 Treatment of PanAsia and OPAL as a single entity

Taking into account the circumstances surrounding the supply of aluminium extrusions from OPAL to its Australian customers, the verification team has considered the appropriateness of treating related parties PanAsia and OPAL as a single entity in accordance with the Commission's current policy practice.²

In undertaking this assessment, the verification team has noted that during the inquiry period there was evidence of:

- a close structural and commercial relationship between the companies; and
- a harmonisation of activities to fulfil a common corporate objective.

Additionally, PanAsia and OPAL both submitted completed Exporter Questionnaires and relevant attachments that referred, where relevant, to responses provided in the Exporter Questionnaire of the other entity.

As a result, the verification team considers that it is appropriate to treat PanAsia and OPAL as a single entity for the purpose of calculating an export price to Australia.

² Refer Dumping and Subsidy Manual (April 2017), page 68.

3.4 The exporter

For all Australian export sales during the review period, the verification team considers PanAsia and OPAL (as a single entity)³ to be the exporter of the goods.⁴

3.5 The importer

The verification team considers that, in relation to the goods exported by PanAsia and OPAL, the customer listed in the Australian sales listing was the beneficial owner of the goods at the time of importation and therefore was the importer of the goods.

3.6 Related party customers

Based on the relevant responses to the Exporter Questionnaire, sales data and audited financial statements, the verification team identified that the Australian customer, PanAsia Aluminium Pty Ltd (PAA), was related to PanAsia and OPAL during the review period.

3.7 Arms' length

Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as arm's length. These are where:

- there is any consideration payable for, or in respect of, the goods other than its price; or
- 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, is directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

As detailed in the Commission's Dumping and Subsidy Manual, in assessing the arm's length nature of transactions the Commission will also examine relevant information to determine whether there has been genuine bargaining between buyer and seller.

In respect of exports of the aluminium extrusions to Australia by PanAsia and OPAL during the investigation period, the verification team considers that 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. The verification team has relied on information obtained during the exporter verification process, as well as information obtained during the PAA importer verification, which indicates that there are no price

³ Section 3.3 refers.

⁴ 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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negotiations or other kind of bargaining taking place between PAA and PanAsia and OPAL, and that the price for the goods is not set at market price.

The verification team therefore considers that sales between the exporter and importer of the goods during the review period were not arms' length transactions.

3.8 Export price – preliminary assessment

Based on the information provided in PanAsia and OPAL's questionnaire responses and the information verified at PanAsia's premises, as well as information provided in PAA's importer questionnaire response, and verified at PAA's premises, the visit team considers that:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods were not arms length transactions.

In relation to all exports by PanAsia and OPAL (as a single entity) to Australia the visit team recommends that the export price be determined under subsection 269TAB(1)(b), The export price has been calculated by reference to the invoice from PAA to the Australian customer, less the prescribed deductions to bring the invoiced amount back to an FOB price from China.

The 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 PanAsia's cost to make and sell (CTMS) spreadsheet by reconciling it 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 verified the accuracy of PanAsia's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30. The verification team identified an issue with the calculation of selling, general and administrative (SG&A) expenses.

The verification team did not identify any other issues with the reconciliation.

4.2.1 Selling, general and administrative expenses

In its response to the exporter questionnaire, PanAsia calculated monthly SG&A based on actual expenses incurred in that month, resulting in significant fluctuations from month to month. Therefore, the verification team recalculated SG&A as a percentage of cost of goods sold over the investigation period. In doing so, the verification team excluded delivery expenses and export expenses from the SG&A calculation.

4.3 Related party purchases

The verification team identified that PanAsia acquires a portion of packaging materials from a related party. The verification team compared the weighted unit price of purchases sourced from a related party and compared it against a non-related party. The verification team found no evidence that would indicate that these purchases were not on commercial terms.

The verification team also identified that certain raw materials have been acquired from a related party. However, the verification team found no evidence that would indicate that these raw material purchases were influenced by this relationship.

4.4 Cost to make and sell – summary

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

PanAsia's 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 PanAsia's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2 Verification of domestic sales to source documents

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

The verification team found issues relating to goods classification, inland transport and credit costs.

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

5.2.1 Goods classification

The domestic sales spreadsheet listed several transactions with a revenue amount which appears to be related to sales of aluminium extrusions, however it had no information relating to the finish nor any quantity amount. PanAsia initially categorised these transaction as "not the goods" however, upon further enquires, it appears these sales related to sales of like goods. Therefore, the verification team updated the domestic sales spreadsheet to categorise these transactions as relating to aluminium extrusions.

5.2.2 Inland transport

The verification team identified that some transactions that were on an ex-factory basis were attributed as having inland transport costs in the domestic sales listing. PanAsia explained that it mistakenly allocated inland transport across all domestic sales regardless of the delivery terms. During the visit, PanAsia revised the allocation of inland transport costs to the domestic sales transactions that were delivered.

5.3 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data, audited financial statements and the visit, the verification team identified that some domestic customers were related to PanAsia.

5.4 Arms' length

In respect of domestic sales of aluminium extrusions made by PanAsia to its related and unrelated customers during the review period, the verification team found no evidence that:

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- 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.⁵

The verification team therefore considers that all domestic sales made by PanAsia to related and unrelated customers during the review 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.

The verification team compared the invoice value at ex-works for each domestic sale of aluminium extrusions to the corresponding quarterly domestic CTMS (exclusive of delivery expenses) 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 ex-works invoice value for each transaction to the corresponding weighted average CTMS (excluding delivery expenses) over the review 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)(ii) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1).

Due to the market situation finding (see section 7 below), the verification has constructed the normal value using the costs to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit.

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 ordinary course of trade. In addition, the verification team treated the transaction with a revenue amount, but no quantity or finish information, as revenue in the profit calculation.

5.7 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing the profitability of sales in the ordinary course of

⁵ Section 269TAA of the Act refers.

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trade for the purposes of constructing a normal value in accordance with subsection 269TAC(2)(c).

The domestic sales listing, ordinary course of trade test and sufficiency test are at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Domestic Credit terms

The verification team considers that a downward adjustment for export credit is necessary to ensure a fair comparison to export prices. The verification team has applied this adjustment based on the payment terms in the domestic sales listing. The rate of interest applied was based on the evidence collected during the verification visit.

6.2 Domestic packaging

The visit team considers a downward adjustment for domestic packaging cost is required to ensure fair comparison to the export price. The visit team applied a weighted average downwards adjustment over the review period based on the packaging expenses in the domestic sales listing.

6.3 Export packaging

The visit team considers an upwards adjustment for export packaging cost is required to ensure fair comparison to the export price. The visit team applied a weighted average upwards adjustment over the review period based on the packaging expenses in the revised export sales listing.

6.4 Export inland transport

The visit team considers an upward adjustment for export inland transport is required to ensure fair comparison to the export price. The visit team applied a weighted average upwards adjustment over the review period based on inland transport in the export sales listing.

As discussed under section 4.2.1 above, the verification team excluded delivery and export expenses from SG&A. As such, a downward adjustment for inland transport is not required.

6.5 OPAL's SG&A

As aluminium extrusions exported to Australia are sold through OPAL, the visit team considers an upward adjustment for OPAL's SG&A is required to ensure fair comparison to export price. The visit team calculated SG&A expenses based on OPAL's income statements.

6.6 Export Credit terms

The verification team considers that an upward adjustment for export credit is necessary to ensure a fair comparison to export prices. The verification team has applied this adjustment based on the average payment days of the selected export invoices. In

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addition, the rate of interest applied was based on the evidence collected during the verification visit.

6.7 Non-refundable value-added tax

PanAsia 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 visit team applied an upward adjustment of 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 adjustment, in accordance with subsection 269TAC(8) or subsection 269TAC(9) of the Act, and considers this adjustment is necessary to ensure a fair comparison of normal values and export prices:

Domestic credit terms	Deducted cost for domestic credit terms
Domestic packaging	Deducted cost for domestic packaging
Export packaging	Add cost for export packaging
Export inland transport	Add cost of export inland transport
OPAL's SG&A	Add amount for OPAL's SG&A costs
Export credit terms	Add cost for export credit terms
Non-refundable VAT	Add the non-refundable VAT amount of 4 per cent

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

7 NORMAL VALUE

The previous review of the anti-dumping measures applying to aluminium extrusions completed in July 2015 (Review 248) found that the situation in the market of the country of export was such that sales in that market were not suitable for use in determining a price under subsection 269TAC(1).

The issue of whether a situation in the market of China continues to make sales in that market unsuitable for use in determining normal values is being dealt with by the review Case Team. In the event that a situation is found to exist, normal values are likely to be constructed under subsection 269TAC(2)(c) of the Act. For the purposes of this report, the verification team has constructed normal values under subsection 269TAC(2)(c) using:

- the amount verified to be the cost of production or manufacture of the goods in China by PanAsia; and
- on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in China—such amounts as would be the administrative, selling and general costs associated with the sale and the profit on that sale

In using costs as a basis for 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 monthly weighted average normal value for the review period, in accordance with paragraph 269TACB(2)(a) of the Act.

The preliminary dumping margin in respect of aluminium extrusions exported to Australia by PanAsia for the review period is **38.3%**.

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

9 SUBSIDIES

9.1 Preferential income tax programs

The verification team viewed PanAsia's tax returns and is satisfied that PanAsia did not receive a preferential tax rate during the review period.

9.2 Grants and preferential policies

In its exporter questionnaire response, PanAsia provided details of grants received during the review period. The verification team verified the amount received during the review period and obtained a copy of PanAsia's non-operating income ledger and found no evidence of PanAsia benefiting from other grants or preferential policies. It appears that the grant programs are related to export sales.

9.3 Aluminium provided by government at less than adequate remuneration

In its exporter questionnaire response, PanAsia provided a spreadsheet listing all its purchases of primary aluminium during the review period. The visit team was able to verify the spreadsheet to source documents.

The visit team notes that, although PanAsia declared that none of its suppliers of primary aluminium were state owned, it did not have any information on whether the primary aluminium was manufactured by a state-owned enterprise.

9.4 Subsidies - conclusion

The verification team considers that the information supplied by PanAsia is complete, relevant and accurate. The verification team is not able to calculate a subsidy for Program 15 as the case team has not determined benchmarks at this stage of the investigation. The case team will also consider the countervailable subsidy margin in relation to grants received by PanAsia (mentioned in section 9.2 above) during the review period.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program, with attachments