



ANTI-CIRCUMVENTION INQUIRY 447

**CERTAIN ALUMINIUM EXTRUSIONS
EXPORTED THROUGH ONE OR MORE THIRD COUNTRIES
FROM
THE PEOPLE'S REPUBLIC OF CHINA**

VISIT REPORT - EXPORTER

PRESS METAL INTERNATIONAL LTD

August 2018

**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 AND APPROACH

1.1 Background

On 18 September 2017, Capral Limited (Capral), an Australian industry member, lodged an application requesting the conduct of an anti-circumvention inquiry into the circumvention of measures applying to certain aluminium extrusions (the goods) exported to Australia from the People's Republic of China (China).

Capral claims that it is appropriate to alter the dumping duty notice and countervailing duty notice (the notices) because circumvention activities, in the form of export of the goods through one or more third countries, within the meaning of subsection 269ZDBB(4) of the *Customs Act 1901* (the Act) have occurred. Specifically, Capral claims that the goods are exported to Australia from China through one or more third countries including, but not necessarily limited to, Indonesia, Malaysia, the Philippines and Thailand.

On 16 October 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner and the Commission respectively) announced the initiation of Anti-Circumvention Inquiry 447 in *Anti-Dumping Notice 2017/137*.

The inquiry examines whether exporters of certain aluminium extrusions from China have engaged in the circumvention activity as outlined in section 269ZDBB by way of exporting the goods to Australia from China through one or more third countries.

For the purposes of the inquiry, the inquiry period to determine whether circumvention activities have occurred is from 1 January 2015.

1.2 Press Metal International Limited

Following the initiation of the inquiry, the Commission wrote to Press Metal International Limited (China) (PMI) inviting it to cooperate with the inquiry. PMI has cooperated and provided a completed Originating Exporter Questionnaire and relevant attachments.

The visit to PMI by the Commission was conducted to determine whether evidence exists to support assertions that it had engaged in the exportation of aluminium extrusions produced in China to Australia via Malaysia.

1.3 Verification approach

To ascertain if PMI had exported aluminium extrusions manufactured in China to Australia via Malaysia, it was necessary to quantify in volume terms PMI's exports of aluminium extrusions to Malaysia and Australia over the inquiry period.

The verification team also considered that an understanding of other factors concerning its related entities, PMB and Press Metal Aluminium Australia (PMAA) was merited as set out below.

- in respect of PMB, it was necessary to determine details of production, purchases, consumption and sales of both aluminium billet ¹ and aluminium extrusions; and
- in respect of PMAA, it was necessary to determine details of purchases of aluminium extrusions.

¹ Aluminium extrusions are made from aluminium billet. The correlation between the quantity of billet available and the quantity of extrusions produced provides information to verify production levels of aluminium extrusions.

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Entities associated with PMB are described more comprehensively at section 3 of this report.

Reports on verification visits to PMI and PMAA are on the public record.

2 THE GOODS

2.1 Description

The goods that are the subject of the notices and the anti-circumvention inquiry 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 extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5mm, with a maximum weight per meter of 27 kilograms and a profile of cross-section which fits within a circle having a diameter of 421 mm.

Table 1 provides examples of the coverage of the goods and like goods (and intended end-use applications). Examples of the goods and like goods are outlined in columns 1 to 4 and non-subject goods are outlined in columns 5 to 7.

< GUC >				< Non GUC >		
1	2	3	4	5	6	7
Aluminium extrusions	Aluminium extrusions with minor working	Aluminium extrusions that are parts intended for use in intermediate or finished products	Aluminium extrusions that are themselves finished products	Unassembled products containing aluminium extrusions, e.g. 'kits' that at time of import comprise all necessary parts to assemble finished goods	Intermediate or partly assembled products containing aluminium extrusions	Fully assembled finished products containing aluminium extrusions
< Examples >						
Mill finish, painted, powder coated, anodised, or otherwise coated aluminium extrusions	Precision cut, machined, punched or drilled aluminium extrusions	Aluminium extrusions designed for use in a door or window	Carpet liner, fence posts, heat sinks	Shower frame kits, window kits, unassembled unitised curtain walls	Unglazed window or door frames	Windows, doors

Table 1 - The goods and like goods

2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

Tariff code	Statistical code	Description
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

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<i>Tariff code</i>	<i>Statistical code</i>	<i>Description</i>
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

Table 2 - Tariff classifications of the goods

3 THE PRESS METAL GROUP

3.1 Press Metal

According to the Press Metal Berhad (PMB) *2016 Annual Report*, there are several entities within the Press Metal Group. The entities of most relevance to this inquiry are:

- PMB, which:
 - is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad;
 - owns various subsidiaries including but not limited to Press Metal International Ltd (PMI), Press Metal (HK) Limited; PMAA, Press Metal UK Limited (PM UK) and Press Metal North America Inc. (PM USA);
 - owns part shares in aluminium smelter companies in Malaysia; and
 - has an extrusion capacity of 40,000 tonnes per year at its plant in Kapar, Selangor in Malaysia;
- PMI, which:
 - is a manufacturer and trader of aluminium products located in Guangzhou, China;
 - is 100 per cent owned by Press Metal (HK) Limited which is an investment holding that is 100 per cent owned by PMB; and
 - has an extrusion capacity of 120,000 tonnes per year;
- Hubei Press Metal Huasheng Aluminium & Electric Co. Ltd which:
 - is an investment holding that is 100 per cent owned by PMB; and
 - owns 100 per cent of a dormant company: Press Metal International (Hubei) Ltd (PM Hubei);
- PMAA, which targets the Australian market;
- Press Metal UK, which targets the European region; and
- Press Metal North America Inc, which targets the American region including Brazil and Mexico.

PMAA commenced operating in the early 2000s. Until 2006, PMAA sourced aluminium extrusions from PMB. From around 2006 to 2008, PMAA sourced aluminium extrusions from PMI. From around 2008 to 2010 PMAA sourced aluminium extrusions from PM Hubei and PMI. In 2010, PMAA started sourcing aluminium extrusions from PMB.

In respect of the goods previously sourced by PMAA from PM Hubei, dies were either shipped to PMB or re-made by PMB. The respective die numbers and product codes from PM Hubei were maintained and are identifiable by the prefix 'PMH'.

PMI commenced operating in 2006. PM Hubei experienced reduced demand with an annual production capacity exceeding its annual production levels. Productivity improvements at PMI resulted in increased capacity and allowed it to supply Hubei's customers. In 2015, production ceased at PM Hubei. Currently the land, buildings and machinery are for sale.

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PMB has a marketing branch located in Johor Bahru which it refers to as 'JB'. JB services markets in the south of Malaysia and in Singapore. JB is a significant user of aluminium extrusions made by PMB. JB purchases aluminium extrusions from both PMB and PMI and acts as if it does so on an arm's length basis.

Another listed company, PMB Technology Bhd, has directors and shareholders common to PMB, but is not considered a part of PMB. PMB Technology Bhd is involved in marketing aluminium extrusions and is a customer of both PMB and PMI through its various associated branches and Malaysian entities which are referred to by PMB as follows:

- PMB Central;
- PMB Eastern
- PMB Northern;
- Everlast; and
- PMB Façade Technology.

4 THE GOODS AND LIKE GOODS

Throughout the inquiry period, PMI sold aluminium extrusions of varying lengths, wall thicknesses, sizes, temper grades, profiles and surface finishes to customers in China, Malaysia and other countries.

4.1 Factory tour

During a tour of PMI's factory, the verification team observed aluminium extrusions being produced on several presses and at various stages of the production process.

On the basis of the observations made during the factory tour, the verification team was satisfied that PMI produces like goods.

4.2 Warehouse tour

The verification team toured PMI's warehouse and despatch area.

Packages of aluminium extrusions destined for the domestic, Malaysian and other markets were examined by the verification team. It was identified that the size, including the width, of the packages of goods varied according to the requirements of respective customers. The packages destined for Malaysia were of larger dimensions than packages destined for other customers.

The verification team noted that the packaging included soft wood that had fumigation stamps that included the letters 'Ch', plastic and cardboard.

The labelling on the packaging of the goods was computer generated and indicated the details of the goods.

The verification team noted that all the packages of aluminium extrusions were to be delivered to customers and that no stock was being held as inventory.

4.3 Like goods sold by Press Metal Industries

During the inquiry period PMI also sold aluminium extrusions to domestic customers in varying lengths, wall thicknesses, sizes, temper grades and profiles. PMI sold extrusions in mill, anodised and powder-coated finishes on the domestic market.

The verification team considers that the goods sold by PMI for domestic and export customers are identical to, or have characteristics closely resembling, the goods PMI 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.

5 VERIFICATION OF THE EXPORTER QUESTIONNAIRE

The verification team verified the completeness and relevance of PMI's exporter questionnaire by reconciling it to audited financial statements in accordance with ADN No 2016/30.

The verification team found that the exporter questionnaire was incomplete when reconciling PMI's exporter questionnaire to the management accounts and annual report. The verification team observed that sales of certain goods were omitted from the exporter questionnaire and, as such, sales of the goods were understated.

During the verification team's visit to PMB, PMI submitted a revised exporter questionnaire that listed all its domestic and export sales.

The verification team was able to reconcile the revised exporter questionnaire on site in Malaysia to PMI's management accounts and annual reports.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

5.1 Verification of exports to Malaysia

The verification team verified:

- all aluminium extrusions exported to Malaysia *upwards* through to management reports and audited financial statements;
- cross referenced the volumes sold from PMI to PMB to the financial data of PMB during the upward verification of the PMB exporter data; and
- a sample of aluminium extrusions exported to Malaysia in the inquiry period *downwards* to source documents.

5.1.1.1 Downwards verification methodology

PMI sales to Malaysia were selected for downwards verification applying the following parameters:

- in circumstances where the verification team found models (by specification) sold by PMB to PMAA correlated to models sold between PMI to PMB (or its related Malaysian entities), all PMI sales for the identified models were sampled for downwards verification; and
- where quantitative analysis demonstrated that the volume of sales (by model) over the inquiry period by PMB to PMAA matched the volume of sales by PMI to PMB (or its related Malaysian entities), all relevant PMI sales were sampled for downwards verification.

5.1.1.2 Downwards verification of sales to source documents

The verification team verified the accuracy of the selected sales by reconciliation to the following source documents in accordance with ADN No.2016/13:

- commercial invoices;
- packing lists;
- bill of lading;

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- certificates of origin; and
- evidence of payment including bank receipts, remittance advices and bank statements.

The verification team did not identify anomalies which warranted further inquiries and considers that the data provided by PMI in its exporter questionnaire as it relates to sales to Malaysia is accurate.

5.2 Verification of exports to Australia

PMI indicated that it generally does not export aluminium extrusions to Australia and that it has only done so twice in the inquiry period.

The verification team verified:

- the exports to Australia and reconciled it to Australian Border Force (ABF) import database;
- all aluminium extrusions exported to Australia in the inquiry period *upwards* through to management reports and to audited financial statements; and
- all aluminium extrusions exported to Australia in the inquiry period *downwards* to source documents.

The verification team was able to cross reference the PMI sales volumes to Australia and match it against the information provided by PMAA during the upward verification of PMAA's importer data.

The verification team did not identify any issues in relation to PMI sales to Australia and was able to reconcile PMI exports to the ABF import database.

The verification found certain products sold to Australia that PMI advised were not the goods under consideration. The verification team tested this against the respective technical drawings and has found that they are not the goods under consideration.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

5.2.1.1 *Downwards* verification to source documents

All sales from PMI to PMAA were selected for downwards verification and reconciled to the following source documents in accordance with ADN No.2016/13:

- commercial invoices;
- packing lists;
- bill of lading;
- certificates of origin; and
- evidence of payment including bank receipts, remittance advices and bank statements.

The verification team found the information contained in these documents was consistent with PMI's exporter questionnaire. As such, the verification team considers that the data provided by PMI in its exporter questionnaire pertaining to exports to Australia is accurate.

6 SALES TO OTHER MARKETS

During the upward verification of PMI export sales, the verification team found:

- sales that had no destination country listed in the exporter questionnaire; and
- sales to a Hong Kong related entity.

The verification team determined that the sales were not destined for Australia through an examination of commercial invoices, packing lists and bills of lading. The verification team found that:

- PMI sales with which were not assigned a destination country were sales to Vietnam; and
- PMI sales to its HK subsidiary were destined for Malaysia.

The verification team did not identify any other issues.

7 THE VERIFICATION TEAM'S PRELIMINARY CONCLUSIONS

Based on the work undertaken, the verification team found:

- no evidence related to packaging or labelling that indicated that goods were exported from China to Australia through Malaysia
- no material discrepancies in PMI's records related to sales, purchases, stock and production of aluminium extrusions
- no packages of aluminium extrusions for export to Australia, either directly from China or through a third country
- no documentary evidence of aluminium extrusions being exported to Australia from China through Malaysia or other third countries
- no physical or other evidence of aluminium extrusions being exported to Australia from China through Malaysia or other third countries.

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8 APPENDICES AND ATTACHMENTS

Confidential Appendix 1

Verification Work Program