



REVIEW OF MEASURES 392

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

VERIFICATION REPORT - EXPORTER

Guang Ya Aluminium Industries Co., Ltd

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

August 2017

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1 BACKGROUND

On 23 March 2017, the Commissioner of the Anti-Dumping Commission (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 (aluminium extrusions) exported to Australia from the People's Republic of China (China). The background relating to the initiation of this review is contained in *Anti-Dumping Commission Consideration Report No. 392 (CON 392)*.

Following initiation of the review of measures, a search of the Australian Border Force (ABF) import database indicated that Guang Ya Aluminium Industries Co., Ltd (Guang Ya) exported aluminium extrusions to Australia from China during the period 1 January 2016 to 31 December 2016 (the review period).

The Anti-Dumping Commission (the Commission) notified Guang Ya of the review and sought its cooperation through the completion of an Exporter Questionnaire.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the review period, Guang Ya exported aluminium extrusions to Australia. Guang Ya advised that all products exported met the definition of aluminium extrusions subject to anti-dumping measures.

2.2 Like goods sold on the domestic market

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

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

Guang Ya also sold fabricated extrusions which are aluminium extrusions with a thermal barrier added. This additional manufacturing process renders these products not the goods under consideration.

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 market situation claims (see section 7 below), the verification team has constructed Guang Ya's normal value using Guang Ya's costs to make the exported goods, plus selling, general and administration (SG&A) costs 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 Guang Ya for domestic sale have characteristics closely resembling 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 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 Guang Ya'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 Guang Ya's Australian sales listing by reconciling it to source documents 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**.

3.3 The exporter

For all Australian export sales during the review period, the verification team considers Guang Ya to be the exporter of the goods.²

3.4 The importer

In relation to aluminium extrusions exported to Australia by Guang Ya, the verification team considers that its 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.

3.5 Related party customers

Guang Ya claimed in its Exporter Questionnaire Response that it was not related to its Australian customer. However, the verification team found that a relationship existed via historical shareholding ownership and company office holders from multiple related parties. This assessment is based on information from the Australian Securities and Investment Commission.

In addition, Guang Ya advised that all exports sales to Australia are transacted through a related trader.

3.6 Arms' length

In respect of aluminium extrusions manufactured by Guang Ya and sold to Australia during the review period, the verification team did not find any evidence that:

- there was a consideration payable for, or in respect of, the goods other than its price; or

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.

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- 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

However, the verification team found that the price was influenced by a commercial or other relationship between Guang Ya and its Australian customer. Specifically, the verification team did not find any evidence that genuine price negotiations or other kind of bargaining took place. In addition, an analysis of the export price did not indicate that the goods sold with regard to prevailing market prices.

The verification team therefore considers that all sales exported to Australia by Guang Ya during the review period were not arms' length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. As the purchase of the goods by the importer was not arms length transactions, the verification team considers that the export price can be ascertained based on subsection 269TAB(1)(b), the price at which the goods were sold by the importer less prescribed deductions. However, sufficient information has not been furnished to enable the export price to be ascertained under 269TAB(1)(b) or 269TAB(1)(c) the export price has been determined under subsection 269TAB(3), having regard to all relevant information. The verification team considers all other relevant information as the weighted average verified export prices of other cooperating exporters in this review, calculated at FOB.

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 Guang Ya'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 Guang Ya's CTMS spreadsheet 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**.

4.2.1 Packaging costs

The verification team found that packaging costs were included through each workshop in a manner that over allocated the cost. It was also not possible to distinguish between export and domestic packaging costs from the data. Therefore, the verification team recalculated packaging costs using the total cost in the CTMS.

4.2.2 SG&A

SG&A was incorrectly calculated and applied to finish and quantity sold instead of being calculated according to the market where the goods were sold. Based on the available information recorded in Guang Ya's management system, the verification team recalculated SG&A for Guang Ya's domestic market.

4.2.3 Billet costs

The verification team found that the casting workshop for each quarter only included the costs of new billet used and did not include inventory carry-over (raw materials and finished goods) from the previous quarter. This had the effect that there was not enough billet recorded in Guang Ya's CTMS to manufacture the goods sold in the quarter and undervalued the billet used. Therefore, the verification team carried over the value of raw materials and finished goods in inventory recorded in the prior years' audited financial statements to Guang Ya's Q1, 2016 CTMS data.

4.3 Related party purchases

Based on the company's response to the exporter questionnaire, audited financial statements and documentation supplied for the purpose of the verification visit, the verification team identified one related party supplier of aluminium billet during the review period. The volume of billet sourced from this supplier was negligible. The verification team further established that Guang Ya divested itself of its ownership interest in this entity during the review period.

The verification team also identified that some processing functions were outsourced by Guang Ya. These processing functions were performed by both unrelated parties and a related party. The verification team did not find any evidence to indicate that the processing functions undertaken by the related party were performed otherwise than at commercial rates.

4.4 Cost to make and sell – summary

Having verified Guang Ya's revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that with the revisions, the CTMS spreadsheet is otherwise complete, relevant and accurate.

Guang Ya'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 Guang Ya'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 Guang Ya's domestic sales listing by reconciling it to source documents 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**.

5.2.1 Related party sales

In the Response to the Exporter Questionnaire, Guang Ya did not identify in its Domestic sales list, sales to related parties. During the verification visit, Guang Ya identified two customers that were related and the verification team was able to verify the sales values to Guang Ya's audited financial statements.

5.3 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team identified two domestic customers related to Guang Ya. The verification team analysed the selling prices between its related and unrelated customers and found the prices to be similar.

5.4 Arms' length

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

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁴

The verification team therefore considers that all domestic sales made by Guang Ya during the review period were arms' length transactions.

⁴ Section 269TAA of the Act refers.

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 (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.

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 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

Due to market situation claims, normal values have been constructed under subsection 269TAC(2)(c) using the costs to make the goods exported to Australia, 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.

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 profitability of sales in the ordinary course of 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 profitability calculation 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 Credit terms

The verification team considers that an upwards adjustment for export credit is not necessary as the payment terms are on a prepayment basis.

The verification team also considers that a downwards adjustment for domestic credit is not necessary as Guang Ya was not able to provide evidence that it extended payment terms to its domestic customers.

6.2 Packaging

Guang Ya advised there were some differences between export packaging and domestic packaging, however the costs could not be separated in Guang Ya's management system or data.

However, the verification team has made an upwards adjustment to normal value for trolley costs associated with exporting the goods. The verification team has used the verified trolley costs incurred by another cooperating exporter.

6.3 Inland transport and export expenses

The verification team considers that an upwards adjustment for inland transport and export expenses is required to calculate normal value at FOB. However, Guang Ya was not able to accurately calculate transportation and export expenses related to export sales of the goods to Australia. Therefore, the verification team has used the verified inland transport and export expenses incurred by another cooperating exporter.

6.4 Trader's costs

Guang Ya claimed that its related-party trader had no involvement in exports to Australia and only traded to third countries. The verification team verified that the related-party trader had no role in arranging sales between Guang Ya and its main Australian customer, however, the related party trader:

- acted on the customer's behalf to administer the customer's payments through its bank account; and
- paid Guang Ya on behalf of the customer.

Accordingly, the verification team considers that an upwards adjustment to normal value is required to account for the administrative function undertaken by the related party trader. This administrative function is performed for export sales only. The verification team made an adjustment based on the trader's SG&A and an amount for trader costs incurred in administering payments between the customer and Guang Ya.

6.5 Non-refundable value-added tax

Guang Ya 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.

6.6 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

| Adjustment Type | Deduction/addition |
|-----------------------------|---|
| Export packaging | Add the cost of export packaging |
| Export Inland transport | Add cost of export inland transport cost |
| Export customs and handling | Add the cost of export customs & handling |
| Trader's costs | Add the administrative costs of related party trader |
| Non-refundable VAT | Add the non-refundable VAT amount of 4% |

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).

Due to market situation findings in Review 248, the verification team has constructed the normal value under subsection 269TAC(2)(c) using Guang Ya's:

- cost to make the goods exported to Australia; plus
- SG&A amounts on the assumption that the goods, instead of being exported, were sold domestically; and
- the profit on that sale.

As discussed in section 5.6, a rate of profit has been determined using Guang Ya's domestic sales of like goods made in the ordinary course of trade.

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 export prices from other exporters participating in this Review to the corresponding quarterly 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 Guang Ya for the review period is **8.9 per cent**.

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

9 SUBSIDIES

9.1 Preferential income tax programs

In its response to the exporter questionnaire, Guang Ya declared that it did not receive any government benefits under preferential tax programs.

The verification team found no evidence that Guang Ya was in receipt of benefits under any preferential tax programs.

9.2 Grants and preferential policies

In its exporter questionnaire response, Guang Ya provided details of grants received under various programs. The verification team verified the amounts disclosed during the review period by obtaining a copy of Guang Ya's non-operating income ledger for the review period. The verification team found no evidence of Guang Ya benefiting from other grants or preferential policies.

9.3 Tariff and VAT exemptions on imported materials and equipment

Guang Ya advised that it had not imported materials or equipment. The verification team found no evidence that Guang Ya had benefited under this program.

9.4 Aluminium provided by government at less than adequate remuneration

Guang Ya provided as part of the exporter questionnaire response Exhibit I-4 Aluminium Purchases, which detailed all of its aluminium purchases for the review period, including whether those purchases were from state owned enterprises.

The verification team verified the completeness, relevance and accuracy of the information contained in this attachment. The verification team did not identify any issues during this process.

The verification team found no evidence that Guang Ya was benefiting from the provision of aluminium by the government at less than adequate remuneration.

Exhibit I-4 and associated documents are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

9.5 Subsidies - conclusion

The verification team calculated a preliminary subsidy margin using verified information supplied by Guang Ya. The subsidy margin applicable to Guang Ya for the review period is **0.1 per cent**.

The preliminary subsidy margin calculations are at **Confidential Appendix 6**.

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10 APPENDICES AND ATTACHMENTS

| | |
|----------------------------------|---|
| Confidential Appendix 1 | Export price calculation AUD/kg - EXW |
| Confidential Appendix 2 | CTMS calculation |
| Confidential Appendix 3 | Domestic sales, OCOT & profit |
| Confidential Appendix 4 | Normal value calculation |
| Confidential Appendix 5 | Dumping variable factors |
| Confidential Appendix 6 | Subsidy margin calculations |
| Confidential Attachment 1 | Verification work program, with attachments |