



ANTI-CIRCUMVENTION INQUIRY 447

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

VISIT REPORT - IMPORTER

PRESS METAL ALUMINIUM AUSTRALIA

August 2018

**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

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 Aluminium Australia Pty Ltd

Following initiation of the inquiry, the Commission wrote to Press Metal Aluminium Australia Pty Ltd (PMAA) inviting it to cooperate with the inquiry. PMAA has cooperated and provided a completed importer questionnaire response (RIQ) and relevant attachments.

PMAA describes itself in the RIQ as an importer, distributor and wholesaler.

A verification team from the Commission visited PMAA at its head office and warehouse in Sydney to determine whether it had imported aluminium extrusions produced in China via Malaysia.

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
7608.20.00	10	Aluminium alloy tubes and pipes
7610.10.00	12	Doors, windows and their frames and thresholds for doors

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<i>Tariff code</i>	<i>Statistical code</i>	<i>Description</i>
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 VERIFICATION VISIT TO PRESS METAL ALUMINIUM AUSTRALIA

The verification team considers that the volume of imports of aluminium extrusions by PMAA will be supported by appropriate records and documentation indicating the origin of the goods. To determine whether PMAA had imported aluminium extrusions produced in China via Malaysia, it was necessary to analyse PMAA's purchases of aluminium extrusions from Malaysia and China over the inquiry period.

PMAA sells custom and standard aluminium extrusions and provides some fabrication services in all states and territories in Australia, with main branches in Sydney, Brisbane and Melbourne. PMAA imports products directly from its related suppliers in Malaysia (PMB) and China (PMI).

PMAA indicated that its sales include standard lines, PMAA's proprietary aluminium systems, such as windows and door frames, and aluminium extrusions or other products that are exclusive to certain customers. PMAA also indicated that it sells approximately 1,000 different profiles of aluminium extrusions. PMAA's standard lines include angle, channel, round and square tube as well as round and square solid bar. PMAA refers to these standard lines as 'standard geometrics'.

PMAA indicated that it employs approximately 40 people.

4.1 Warehouse tour

The verification team toured PMAA's warehouse. It sighted stock of aluminium extrusions as well as other imported products such as trays for utility vehicles and machinery that is supplied to PMAA's customers and used to fabricate various products using aluminium extrusions and that is supplied to PMAA's customers.

The verification team examined packs of aluminium extrusions from both Malaysia and China. It observed that packaging of goods from Malaysia and China was of an equivalent size and style. However, the packaging of Malaysian goods included hard wood and the packaging of Chinese goods included soft wood. The respective fumigation stamps on the wooden parts of the packaging indicated whether the fumigation was conducted in China or Malaysia. The labelling on the packaging of the goods from either country was computer generated and indicated the source of the goods.

4.2 The goods imported by Press Metal Aluminium Industries Australia

During the inquiry period, PMAA imported aluminium extrusions of varying lengths, wall thicknesses, sizes, temper grades, profiles and surface finishes.

The verification team considers that the aluminium extrusions imported by PMAA in the inquiry period meet the definition of the goods as described above.

5 GENERAL BUSINESS PROCESSES RELATED TO IMPORTS

PMAA indicated that it is permitted by its parent company to source aluminium extrusions from other suppliers. The verification team found no evidence that PMAA has imported aluminium extrusions from suppliers that are not related entities. PMAA indicated that it occasionally buys small *one-off* quantities of extrusions from unrelated suppliers.

The main supplier to PMAA in the inquiry period is PMB. PMAA has also imported aluminium extrusions in the inquiry period from PMI.

Everlast Access Technology Sdn Bhd (Everlast) in Malaysia is also a relatively minor supplier to PMAA in the inquiry period. Everlast is wholly owned by PMB Technology Berhad (a separate company which is not owned by PMB). Everlast is a fabricator of aluminium products and supplies PMAA with fabricated products which are not under consideration in this inquiry.

PMAA demonstrated that it places orders with PMB that include both the PMAA product code and the PMB die number. The verification team has found that there is no single, consistent numbering system that applies to either PMAA product codes or PMB die numbers. The coding or numbering is generally based on customer codes, or historical or current PMB administrative processes.

PMAA indicated that the delivery time for orders placed with PMB varies between six and twelve weeks and that a single invoice may include delivery against several purchase orders.

In respect of aluminium extrusions or other products that are exclusive for certain customers, PMAA indicated that it generally charges for the manufacture of dies upon delivery of the first shipment of the respective goods. However, the precise arrangements related to the payment of dies may differ for certain customers and are made with reference to the individual circumstances of the customer.

6 VERIFICATION OF IMPORTER QUESTIONNAIRE

The verification team verified PMAA aluminium extrusions sales in the inquiry period and reconciled the data *upwards* through to management reports and to audited financial statements in accordance with ADN. No 2016/30.

The verification team could not complete the upward verification of PMAA on site in Sydney, Australia. The verification team found issues reconciling purchases from PMB and reconciling opening stock as at 2015, and closing stock as at end 2017 to the PMAA Annual Reports.

Further, the Australian Border Force (ABF) import database did not reconcile to PMAA's importer questionnaire for purchases from Malaysia or to PMB's sales listing of exports to PMAA because of timing differences between PMB recognising its sale, PMAA recognising its purchases and ABF import database entry date.

During a subsequent verification visit at PMB, both PMI and PMB submitted revised exporter questionnaires that were verified on-site in Malaysia and reconciled to PMI's and PMB's annual reports.

The revised sales listing detailing the goods sold to PMAA from PMB reconciled to the ABF import database. Once the verification team had verified purchases from Malaysia, and purchases from other suppliers, the verification team was able to verify opening and closing stocks and complete the PMAA upward verification process. The verification team was able to reconcile the volumes sold, volumes purchased and volumes at hand in 2014 and 2017 against the values noted in the Annual Report.

The verification team did not identify any other issues.

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

6.1 Verification of purchases from Malaysia

PMAA indicated that it sources aluminium extrusions from PMB in Malaysia and generally does not purchase aluminium extrusions from China except for a small volume as discussed in Section 6.2 of this report.

The verification team verified data provided by PMAA in its importer questionnaire and reconciled it to:

- the ABF import database;
- cross referenced the purchases made by PMAA to the verified export sales data submitted by PMB;
- all aluminium extrusions purchased from Malaysia in the inquiry period *upwards* through management reports to audited financial statements; and
- a sample of aluminium extrusions purchased from Malaysia in the inquiry period *downwards* to source documents.

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

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6.1.1 Downwards verification methodology

PMAA purchases from Malaysia were selected for downwards verification applying the following parameters:

- where the verification team identified that model specifications for aluminium extrusion sales from PMI to PMAA correlated to PMAA purchases from PMB, a sample of PMAA purchases of these models was selected;
- in circumstances where the verification team found models (by specification) sold by PMI to PMB (or its related Malaysian entities) correlated to purchases by PMAA from PMB, all PMAA purchases were selected for downwards verification; and
- where quantitative analysis demonstrated that the volume of sales (by model) between PMI to PMB (or its related Malaysian entities) matched the volume of purchases by PMAA from PMB, all PMAA purchases were sampled for downwards verification.

6.1.2 Downwards verification to source documents

The verification team verified the accuracy of the selected purchases by reconciliation 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 did not identify anomalies which warranted further inquiries and considers that the data provided by PMAA in its importer questionnaire as it relates to purchases from Malaysia is accurate.

6.2 Verification of purchases from China

PMAA indicated that it generally does not purchase aluminium extrusions from China and that it has only done so twice in the inquiry period.

The verification team verified purchases from China listed in its importer questionnaire and reconciled it to:

- the ABF import database;
- cross referenced the purchases made by PMAA to the verified export sales data submitted by PMI;
- all aluminium extrusions purchased from China in the inquiry period *upwards* through management reports to audited financial statements; and
- all aluminium extrusions purchased from China in the inquiry period *downwards* to source documents.

The verification found certain products sold to Australia that PMAA 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.

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

The verification team did not identify any other issues in relation to purchases from China.

6.2.1 Downwards verification to source documents

All purchases by PMAA from PMI were selected for downwards verification. The selected purchases were verified by reconciliation to 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 aligned to PMAA's importer questionnaire. As such, the verification team considers that the data provided by PMAA in its importer questionnaire pertaining to purchases from China is accurate.

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 to Australia from China to Australia through Malaysia
- no material discrepancies in PMB's, PMI's or PMAA's records related to sales, purchases, stock and production of billet or aluminium extrusions
- packages of aluminium extrusions that had been imported from China were clearly labelled and identifiable as such
- 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