

By Email

The Director - Investigations
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2600

Dear Director,

RE: Review of anti-dumping measures – Review 640

I refer to the abovementioned review, Review 640, of anti-dumping measures applying to exports of certain aluminium extrusion products from Malaysia by my client, PMB Aluminium Sdn Bhd (**PMBA**).

In particular, I refer to the Anti-Dumping Commission's (**Commission**) request for a submission on the change in the terms of trade between PMBA and Press Metal Aluminium (Australia) Pty Limited (**PMAA**) from Free On Board (**FOB**) to ExWorks (**EXW**) with effect on and from May 2023.

The reasons for the change are straightforward. As the Commission is aware and documented in Accelerated Review Report 577, the trading terms between PMBA and PMAA were changed with effect on and from November 2020. In place of trading terms of Delivered Duty Paid (**DDP**), FOB trading terms were then substituted. The reasons for the change were to provide PMAA and PMBA greater certainty and transparency in pricing by rendering PMAA directly responsible for overseas freight on exports to it from Malaysia, which it had been previously paying for through the DDP price paid to PMBA.

As noted, PMAA was obviously paying for overseas freight transport on product purchased from PMBA indirectly through the prices it paid to PMBA for the product. However, the amount represented in the price paid to PMBA for overseas freight was, of course, an estimate based on historical freight rates incurred in, for example, the preceding month. The actual amount for overseas freight could not be included in the price due to the price being agreed well ahead of shipping of the goods the subject purchase order and the actual overseas freight costs incurred.

Differences then in the actual overseas freight costs and the estimate on which the price agreed for the supply of the product the subject of a purchase order affected the sales revenue and profitability of transactions. Moving to FOB trading terms eliminated that uncertainty and lack of transparency.

The present shift to EXW is a further step in this respect. It is common, if not standard procedure, for businesses to continually monitor and regularly review their business operations to identify areas where

improvements can be obtained that enhance the conduct and operations of the business, as well as manage costs and improve profits and profitability. The current change in trading terms is but another example of this process.

PMAA, who ultimately pays for inland freight indirectly through the price it pays to PMBA for purchases, has no transparency, nor certainty, as to the amount in the purchase price for product paid to PMBA that represented inland freight in Malaysia.

By moving to EXW trading terms, PMAA obtains transparency and certainty in the cost of inland freight in Malaysia, as well as a degree of control of those costs through being able to negotiate the amount for inland freight directly with the shipping company. This provides it not only with greater certainty as to costs but, ultimately, increased control and, therefore, certainty in its profits.

For PMBA it has a similar consequence. Because it is no longer is exposed to setting prices based in part on estimates of inland freight costs, PMBA obtains greater control over its costs, sales revenues and, ultimately, profits.

Hence the reasons for the change in trading terms to EXW was driven by commercial considerations, namely, providing both PMBA and PMAA with greater transparency and certainty over their respective prices and costs so as to, ultimately, improve the profitability of each. A review of the Chairman's and/or Managing Director's/Chief Executive Officer's statement in the Annual Reports of any company whose securities are listed on the Australian Stock Exchange, such as, for example, Capral Limited, will identify programs that are being undertaken to improve the operations of the company, reduce costs and increase profits. The change in trading terms here is similarly driven by such commercial considerations.

As before the transition to EXW trading terms was effected by a credit note for transactions caught in the change and appropriately recorded in the accounts and financial records of each. This, of course, has been verified.

Unless the Commission advises otherwise, it is assumed that this explanation is satisfactory to the Commission.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew Percival', with a large, stylized initial 'P' at the start.

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