

Exporter Benchmark Verification Report

Verification & Case Details

Initiation Date	12 July 2018	ADN:	2018/111
Case:	Aluminium Extrusions - Review of Measures - China		
Case Number	482		
Exporter	Guangdong Zhongya Aluminium Co., Ltd.		
Review Period	1 July 2017	to	30 June 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

1.1 Benchmark verification

The verification team assessed the information provided by Guangdong Zhongya Aluminium Co., Ltd. (Zhongya) in its response to the exporter questionnaire (REQ), and the verification activities from previous reviews conducted by the Anti-Dumping Commission (the Commission). Based on this information, it is the verification team's view that it is suitable to conduct a benchmark verification with respect to aluminium extrusions exported by Zhongya to Australia from the People's Republic of China (Chin).

The benchmark verification involves comparing key variables to those of other exporters verified on-site and key variables from the most recent review of measures relevant to the exports of aluminium extrusions from China (REV 392). Key variables for this comparison are export prices, and any subsidy programs, and are used to assess reliability of the data provided by an exporter in its questionnaire.

Where benchmarking identifies results that are inconsistent with expectations, the verification team will escalate the level of verification and may consider a partial or full verification.

The verification team found that the resulting ascertained variable factors are consistent with expected values and can be considered reliable for the purposes of determining an interim subsidy margin.

Information about the outcome of verification visits to other exporters in this current review, and with respect to REV 392, can be found on relevant case page on the Commission's website: www.adcommission.gov.au.

Details of the benchmark verification assessment is contained in **Confidential Attachment A**.

1.2 Corporate Structure and Ownership

Zhongya is a limited liability company and operates under no other business or trading names. Zhongya is a wholly foreign owned enterprise as a subsidiary of two parent companies registered in Hong Kong. The two parent companies are both related and share the same individual shareholders in a trust arrangement.

Zhongya produces aluminium extrusions for domestic sale as well as for export markets, sold via its related trading company based in Hong Kong. Zhongya has been producing aluminium extrusions since the early 1990's. Zhongya produces aluminium extrusions in mill, powder coated and anodised finishes.

1.3 Related Customers

The verification team considered the relationships between related parties involved in the manufacture and sale of the goods.

The verification team for REV 392 did not identify any Australian customers that were related to Zhongya, or its related trading company, based on its response to the exporter questionnaire (REQ), sales data and audited financial statements.

In its REQ for the current review (REV 482), Zhongya stated that it is not related to, nor has any financial or other arrangement, with any of its Australian customers. The verification team did not

find any new evidence to suggest that Zhongya or its related trading company were related to the Australian customers.

Based on the verified findings in REV 392, and the supporting evidence in Zhongya's REQ for REV 482, the verification team is satisfied Zhongya, and its related trading company, were not related to its Australian customers during the current review period.

As current anti-dumping measures relate only to countervailable subsidies relevant to exports of Zhongya, the verification team did not examine domestic sales of aluminium extrusions or domestic customer relationships.

1.4 Relevant anti-dumping measures

Anti-dumping measures, in the form of a countervailing duty notice, are currently relevant to exports of aluminium extrusions from China by Zhongya.¹ Zhongya successfully applied to extend the current review to include a revocation review of measures.² The revocation review will be limited to examining whether the countervailing duty notice, in relation to exports to Australia by Zhongya, should be revoked.

1.5 The goods

Information provided by Zhongya in its REQ confirm it exports aluminium extrusions, as per the goods description detailed at the time the review was initiated (ADN 2018/111 refers).³ Given the purpose of the review is limited to countervailing only with respect to Zhongya, the verification team did not seek any additional information with regard to the goods or like goods.

¹ Zhongya is currently exempt from Interim Dumping Duties.

² Refer to ADN No. 2018/138 which can be found on the Commission's website at www.adcommission.gov.au

³ ADN No. 2018/111 can be found on the case page at www.adcommission.gov.au

2 EXPORT PRICE

2.1 The importers

In relation to aluminium extrusions exported by Zhongya, the Commission, in REV 392, considered that the Australian customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

Based on the information provided by Zhongya in its REQ, the verification team found no evidence to suggest this has changed in the current review period. As such, the verification team is satisfied that Zhongya's Australian customers are the beneficial owners of the goods at the time of importation with respect to REV 482, and are therefore the importers of the goods exported by Zhongya during the current review period.

2.2 The exporter

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.

The verification team are satisfied that Zhongya is the exporter of the goods for all Australian export sales during the review period.

2.3 Arm's length

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

- 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 receive a benefit for, or in respect of, the whole or any part of the price.⁴

During the verification of Zhongya's data for REV 392, the verification team found that all export sales made by Zhongya's related trading company during the relevant review period were arm's length transactions.

In the analysis of data provided by Zhongya for the current review period, the verification team found no evidence to suggest that sales should not be treated at arm's length. Therefore, the verification team considers that all export sales to Australia made by Zhongya's related trading company during the current review period are arm's length transactions.

2.4 Export Price – assessment

In respect of Australian sales of the goods by Zhongya, the verification team recommends that the export price be determined under paragraph 269TAB(1)(c), having regard to all the circumstances

⁴ Section 269TAA of the Act refers.

of the exportation. Specifically, the verification team determined the export price as the price paid by the importer less transport and other costs arising after exportation.

This is consistent with the outcome of REV 392, where the verification team found that the Australian sales listing was complete, relevant and accurate, however, the goods were not purchased by the importer from the exporter.

The verification team for REV 482 are satisfied the same circumstances apply in the current review period and that export price should be determined under paragraph 269TAB(1)(c).

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

3 COUNTERVAILING

3.1 Preferential income tax programs (programs 18, 47 and 48)

In its REQ, Zhongya stated that it did not receive a benefit under any preferential income tax programs during the review period and paid the standard tax rate of 25 per cent.

To support this claim Zhongya provided:

- translated income tax returns,
- an income tax summary, and
- audited financial statements

The verification team found in REV 392, that Zhongya paid tax at a rate of 25 per cent and did not receive any rebates or offsets during the relevant review period. During the on-site verification, the verification team were able to verify that previously received subsidies of this category had expired using tax returns, payment records and audited financial statements.

Based on the information supplied in its REQ for REV 482, and the verification activities undertaken for the relevant review period for REV 392, the verification team is satisfied Zhongya did not receive a benefit under the preferential income tax programs in the current review period.

3.2 Grants and preferential policies (Programs 2, 3, 4, 5, 6, 7, 8, 9, 26, 29, 32, 35, 56 and 58)

In its REQ response, Zhongya stated it received some non-recurring benefits under the Program 56 during the review period of 1 July 2017 to 30 June 2018.

Zhongya provided

- application forms for the grants;
- proof of receipt; and
- a listing of the grants received.

In its REQ for REV 392, Zhongya declared grants under programs 2, 56, and 58. This was verified on-site as part of REV 392 as accurate.

The verification team requested and received a copy of Zhongya's non-operating income ledger for the current review period and found that Zhongya had benefit from a grant prior to the review period, with this grant being accounted for as 'deferred income' over the review period. The Commission can consider that a one-off grant be spread over a long period. Such an approach means that one-off subsidies paid in past can remain countervailable provided that the benefit carried into the review period.

3.3 Tariff and VAT Exemptions on Imported Materials and Equipment (Program 21)

Zhongya provided in its REQ an asset schedule summary relating to benefits received under program 21. Zhongya also provided translated copies of the custom declarations for these imports of capital equipment.

The asset schedule shows that three of the imported assets depreciation schedule remained active in the review period and that these expired during the review period. Value was assigned to the review period based on this depreciation schedule and expiry by month.

In REV 392 the verification team examined the asset register and were satisfied that the benefit received by Zhongya from program 21 had been accurately recorded.

Given that the asset register provided in REV 482 is the same that was verified in REV 392 the verification team is satisfied with the accuracy of the benefit declared under program 21.

3.4 Aluminium provided by government at less than adequate remuneration (Program 15)

Zhongya provided a purchase listing of all primary aluminium made during the review period in its REQ. The verification team conducted analysis of aluminium purchases, benchmarking the results to other verified exporters' purchases during the current review period, and to that of Zhongya's verified aluminium purchases in REV 392.

Zhongya provided information and evidence in its REQ to support the statement that it does not purchase primary aluminium from state owned enterprises. Analysis of this evidence, results in the previous review REV 392 and the results from the comparison to other verified aluminium purchases by exporters in the current review period lead the verification team to consider the listing provided by Zhongya to be reliable.

3.5 Subsidies Preliminary Findings

The preliminary subsidy margin in respect of aluminium extrusions exported to Australia by Zhongya for the investigation period is **0.16 per cent**.

Details of the preliminary countervailing margin calculation are at **Confidential Appendix 2**.

4 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export Price
Confidential Appendix 2	Subsidy Margin
Confidential Attachment 1	Benchmark Verification Analysis