



Exporter Verification Report

Verification & Case Details

Initiation Date	24/02/2020	ADN:	ADN 2020/018
Case Number	540		
The goods under consideration	Aluminium Extrusions (Mill Finish)		
Case type	Dumping Investigation		
Exporter	Press Metal Berhad		
Location	Remote		
Investigation Period	1/01/2019 to 31/12/2019		

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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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

As at the commencement of the investigation period (the period) on 1 January 2019, Press Metal Berhad (PMB) was a wholly owned subsidiary of PMIM Extrusion Sdn. Bhd. (PMIM).

PMIM, which was incorporated in November 2018, is a wholly owned subsidiary of Press Metal Aluminium Holdings Berhad (PMAH). PMIM took ownership of PMB from PMAH in November 2018.² PMAH is the public holding company for the Press Metal group of companies and listed on the Bursa Malaysia (stock exchange).

As outlined in the PMAH 2019 annual report Directors' Report at part [v] to the section detailing Significant and Subsequent Events³, certain highlighted events are summarised as follows;

- In August 2019, PMAH incorporated a new wholly-owned subsidiary, PMB (Klang) Sdn. Bhd. (PMBK);
- PMBK is principally engaged in the manufacturing and trading of aluminium products;
- In November 2019, PMAH transferred its entire equity interest in PMBK to related entity Press Metal International (HK) Ltd. (PMIHK); and
- The extrusion business of PMB (inclusive of all manufacturing assets) was transferred to PMBK in November 2019 (effective 22 November 2019);
- PMB continues to operate as a going concern undertaking certain functions with the PMAH group.

As part of the verification it was established that the extrusions and casting house manufacturing operations previously operated by PMB continued to be operated at the same location after the sales of those assets to PMBK. On 25 August 2020 PMBK was renamed to PMB Aluminium Sdn Bhd (PMBA).

The verification team considers that PMB was an exporter of the goods prior to 22 November 2019. Therefore, the data and variable factors relevant to the period in which PMB produced and sold the goods, i.e. 1 January 2019 to 21 November 2019, are discussed in this report.

1.2 Related Parties

The verification team examined the relationships between the exporter and parties involved in the manufacture and sale of the goods.

² Note 7 (Investments in subsidiaries) to the PMAH 2018 Annual Report, p.154.

³ PMAH 2019 Annual Report, p.112.

1.2.1 Related suppliers

The verification team established that PMB sourced raw materials from related party suppliers for the production of billet and in the production of aluminium extrusions. Further discussion on the nature of these transactions is outlined at section 6.3.

1.2.2 Related customers

At B-2.4 and D-2.2 to its response to the exporter questionnaire (REQ), PMB reported that its customers for the goods exported Australia are related. Further discussion on the nature of these transactions is outlined at sections 7.3.1 and 8.1.1.

1.3 Accounting records

PMB's audited financial statement was audited by KPMG and includes a statement that the financial accounts comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Malaysia.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

- **Raw Materials:** The billets used by PMB to produce its extrusions are sourced directly from external billet suppliers or produced in its own billet casting facility. For billets produced in its own facility PMB relies on a combination of primary aluminium ingots sourced from external suppliers and scrap aluminium products which are sourced externally or as a by-product from its own production processes.
- **Extrusions Production Process:** All aluminium extrusions originate from the extrusion press process. The extrusion process involves heating billets and forcing this material under hydraulic pressure through a die to create the profile. Following extrusion the product is stretched to achieve straightness and subject to heat treating in kilns/ovens to achieve the desired material temper.

Following the tempering stage the extrusions are cut to the required length. At this point the material's surface properties resemble the raw aluminium billets that were initially put through the extrusion press. This type of finish is classed as "mill finish". If the product does not require any further finishing, such as powder coating or anodising, it may go straight to packing or routed through a fabrication process to under minor working and then packed.

- **Scrap:** The production of aluminium extrusions primarily generates scrap as a result of two instances, one being the 'butt' of the billet that cannot be processed through the extrusion press, the second being the result of production failures that could occur at any stage.
- **Packaging:** Due to the nature of the use of extrusions, prevention of damage to the surface finish attributes and profile shape of the relatively fragile extrusions is to be maintained.

2.2 Model Control Codes (MCCs)

In its REQ, PMB provided sales and cost data in accordance with the mandatory categories and sub-categories proposed in the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/18.

PMB provided its sales and cost data by finish, alloy code and temper code.

2.2.1 Amendments to MCCs

PMB did not propose any changes to the MCC structure. However, the verification team analysed the sales data and supporting evidence provided with PMB's REQ.

Based on analysis of the price comparability of the goods under consideration, the verification team considers it necessary to make amendments to the MCC structure.

PUBLIC RECORD

No.	Exception	Resolution
1	In relation to the category of alloy code, price lists provided by PMB support that the proposed sub-categories were not an appropriate reflection of how the goods sold by PMB are priced.	The alloy code sub-categories for PMB are proposed to be: <ul style="list-style-type: none"> sub-category A, to cover alloy 6060 and 6063 and 6005; sub-category B, re-designated to cover alloy 6061 only; sub-category C, re-designated to cover alloy 6082 only; sub-category D, re-designated to cover alloy 6463 only.
2	In relation to the category of temper code, price lists provided by PMB support that the proposed sub-categories were not an appropriate reflection of how the goods sold by PMB are priced.	It is proposed that the MCC categories for temper be altered as follows; <ul style="list-style-type: none"> sub-category T50 be removed and consolidated with the OTHER [O] designation.

Table 1 Amendments to the MCCs

Category	Sub-category		Sales data	Cost data
Finish	M	Mill	Mandatory	Mandatory
Alloy code	6A	6005, 6060, 6063	Mandatory	Optional
	6B	6061		
	6C	6082		
	6D	6463		
	O	Other		
Temper code	T1	T1, T4, T5, T6	Optional	Optional
	O	Other		

Table 2 Revised MCC Structure for PMB

2.3 Verification of MCCs

Table 3 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	The verification team verified the alloy of the product in domestic and export sales listings having regard to commercial documents and the relevant transaction narrations in PMB's accounting system.
Alloy code	The verification team verified the alloy of the product in domestic and export sales listings having regard to commercial documents and the relevant transaction narrations in PMB's accounting system.
Temper	The verification team verified the temper of the product in domestic and export sales listings having regard to commercial documents and the relevant transaction narrations in PMB's accounting system.

Table 3 MCC sub-category determination

2.4 The goods exported to Australia

The verification team was satisfied that PMB produced and exported the goods to Australia. PMB exported the goods to Australia with the following MCCs during the period:

- M-6A-T1
- M-6A-O
- M-6B-T1

2.5 Like goods sold on the domestic market

The verification team is satisfied that PMB sold like goods on the domestic market.

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:

- are physically alike - in that the exported goods and goods sold on the domestic market are produced in the same way, look alike (noting that different dies are required for individual customer specifications), and the costs of production are the same;
- share a production likeness - in that the exported goods and goods sold on the domestic market are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- are commercially alike - in that the exported goods and goods sold on the domestic market to similar market sectors, are interchangeable and use similar distribution channels; and
- are functionally alike – in that the exported goods and goods sold domestically have similar end uses.

PMB sold like goods on the domestic market with the following MCCs during the review period:

- M-6A-O
- M-6A-T1
- M-6B-T1
- M-6C-T1
- M-O-O
- M-O-T1

2.6 Like goods – assessment

The verification team considers that the goods produced by PMB for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- Having regard to the 2019 financial year audited financial statements for PMB;
- Examining the relevant sales revenue accounts in the financial records of PMB;
- Assessing the preparation of the figures in the upwards sales worksheet provided by PMB at B-4 of its REQ;
- Reviewing import declarations in the Australian Border Force (ABF) import database relevant to exports where PMB was identified as the supplier;
- Analysing the source documents provided for a selection of domestic and Australian sales transactions.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

3.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	PMB's Australian sales listing reported transactions dated in 2018, prior to the period.	The exporter confirmed that the 2018 sales were invoiced in that year however were physically exported in 2019. As a result these transactions have been excluded from PMB's Australia sales listing.
2	The exporter reported sales that were in relation to goods exported to third countries.	The exporter provided a revised Australian sales listing to exclude third country sales transactions.
3	PMB's domestic sales listing included like goods sales that do not involve the end-customer and were intra-company transactions between PMB's manufacturing business unit and distribution and retail business unit. The price reflected in PMB's	The verification team replaced intra-company sales between business units with the transactions between PMB and end-customers.

PUBLIC RECORD

No.	Exception	Resolution
	domestic sales listing for the relevant transactions is therefore not a reflection of the price paid.	
4	PMB's sales listing included transactions by PMBA (formerly PMBK).	Transactions that were identified in relation to PMBA (formally PMBK) were set aside.

Table 4 Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by PMB, including any required amendments as outlined in the exception table above, is complete and relevant.

4 VERIFICATION OF SALES ACCURACY

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	Certain Australian sales were initially reported with the incorrect INCOTERMS.	The verification team made enquiries with PMB to ensure the identified transactions reflected the correct terms.
2	In relation to PMB's Australian sales of the goods, the verification team ascertained that PMB paid importation costs to the place of delivery in Australia which meant that the delivery terms initially stated by PMB did not reflect all of the circumstances of the exportations.	The verification team calculated PMB's export price at the FOB level.
3	Although PMB indicated at E-2 of its REQ that packing costs for Australian and domestic sales were identical, an examination of PMB's accounting records demonstrated that PMB's REQ was not an accurate reflection of the costs differential for packing of goods for the Australian and domestic market.	Based on an examination of the accounting data provided by PMB, particularly accounting entry narrations, for the December 2019 quarter, the Australian unit packing costs were re-calculated by the verification team. The December 2019 costs were considered suitable for used in all other quarters.
4	The verification team ascertained that the Australian inland transport costs reported in PMB's REQ at B-2 were inconsistent with the amounts identified on logistics vendor commercial invoices.	PMB's export inland transport costs have been revised having regard to logistics vendor commercial invoices. The revised figure reflects the weighted average unit cost per kilogram for the whole period.
5	The verification team ascertained that the Australian handling and other costs reported in PMB's REQ at B-2 were inconsistent with the amounts identified on logistics vendor commercial invoices.	PMB's export handling and other costs have been revised having regard to logistics vendor commercial invoices. The revised figure reflects the weighted average unit cost per kilogram for the whole period.
6	The verification team ascertained that the Australian ocean freight expenses reported in PMB's REQ at B-2 were inconsistent with the amounts identified on logistics vendor commercial invoices.	PMB's Australian ocean freight expenses have been revised having regard to logistics vendor commercial invoices. The revised figure reflects the weighted average unit cost per kilogram for each quarter of the period.
7	The verification team ascertained that the Australian importation costs reported in	PMB's Australian importation costs have been revised having regard to logistics

PUBLIC RECORD

No.	Exception	Resolution
	PMB's REQ at B-2 were inconsistent with the amounts identified on logistics vendor commercial invoices.	vendor commercial invoices. The revised figure reflects the weighted average unit cost per kilogram for each quarter of the period.
8	The verification team identified 'OTHER COSTS' in PMB's Australia sales listing at B-2 of its REQ which upon further examination were not considered direct selling expenses or not relevant to Australian sales.	The costs reported in the 'OTHER COST' column of PMB's Australian sales listing were disregarded on account that these costs were not relevant.
9	The verification team ascertained that PMB's cost of shipping stillages back to Malaysia from Australia was not reported in the Australian sales listing at B-2 of its REQ, despite reporting such activities in its written response to the REQ. The verification team was therefore required to calculate stillage expenses based on data provided by PMB.	<p>The verification team calculated a unit cost per kilogram for stillage shipping based on the following;</p> <ul style="list-style-type: none"> • Logistics vendor commercial invoices for stillages shipped back to Malaysia during the period; • The number of stillages required for one 40 foot container, as evidenced on the bill of lading and packing lists for a selection of Australian sales subject to downwards verification; • The number of containers required to ship the goods to Australia, as identified in PMB's Australian sales listing; • The volume of goods exported to Australia. <p>PMB's Australian sales listing was updated to include the stillage shipping costs, which were paid by PMB after the goods were exported to Australia. Stillage shipping costs were deducted from the invoice value to work out PMB's export price.</p>
10	The verification team ascertained that the payment terms reported in PMB's Australian sales listing did not reflect the timing in which customers paid for the goods. It was also observed that customers did not adhere to the credit terms stated on commercial invoices.	Using the accounts receivable turnover ratio method outlined in section 15.3 of the Commission's <i>Dumping and Subsidy Manual</i> ⁴ the verification team worked out alternative payment terms having regard to PMB's accounts receivable data relevant to the period.
11	Although PMB indicated at E-2 of its REQ that packing costs for Australian and domestic sales were identical, an examination of PMB's accounting records suggested that PMB's REQ was not an accurate reflection of the costs differential for packing of goods for the Australian and domestic market.	Based on an examination of the accounting data provided by PMB, particularly accounting entry narrations, for the December 2019 quarter, the domestic unit packing costs were re-calculated by the verification team. The December 2019 costs were considered suitable for used in all other quarters.
12	The verification team ascertained that the December 2019 quarter inland transport costs in the domestic sales listing at D-2 to	The December 2019 inland transport costs were recalculated based on the sales volume in PMB's domestic sales listing at

⁴ The Commission's *Dumping and Subsidy Manual* (the Manual) at page 74 states "Where no fixed credit period has been shown on the invoice or in a sales contract, where there is a variety of credit terms, or where the credit terms on the invoice are not adhered to; the Commission may calculate an average credit term for adjustment purposes".

PUBLIC RECORD

No.	Exception	Resolution
	PMB's REQ relied on an incorrect allocation basis [sales volume].	D-2 of its REQ and the relevant costs from its financial records.
13	Domestic like goods sales where the delivery terms were in to store did not have corresponding inland transport costs.	The domestic sales listing was amended to reflect inland transport costs for all sales on delivered terms.
14	The verification team ascertained that the payment terms reported in PMB's domestic sales listing did not reflect the timing in which customers paid for the goods. It was also observed that customers did not adhere to the credit terms stated on commercial invoices.	Using the accounts receivable turnover ratio method outlined in section 15.3 of the Commission's <i>Dumping and Subsidy Manual</i> ⁵ the verification team worked out alternative payment terms having regard to PMB's accounts receivable data relevant to the period.
15	The verification team identified 'OTHER COSTS' in PMB's domestic sales listing at D-2 of its REQ which upon further examination were not considered direct selling expenses.	The costs reported in the 'OTHER COST' column of PMB's domestic sales listing were disregarded on account that these costs were not relevant direct selling expenses.

Table 5 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by PMB, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

⁵ Ibid

5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE
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Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- Having regard to the 2019 financial year audited financial statements for PMB;
- Examining the relevant cost of production accounts in the financial records of PMB;
- Assessing the preparation of the figures in the upwards sales worksheet provided by PMB at G-8 of its REQ;
- Comparing the data in PMB's account to the CTMS data reported at G-3 and G-5 of its REQ.

The verification team verified the relevance and completeness of the SG&A data as follows:

- Examining the account listing reported at worksheet G-4.1 and the cost calculations at G-4.2 of PMB's REQ; and
- Comparing the costs in the listing to PMB's trial balance, cost of production data and 2019 financial year audited financial statements for PMB;
- Comparing the revenue reported in G-4.2 to the domestic sales listing and total company revenue reported in the upwards sales worksheet at B-4 to its REQ.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
1	The verification team ascertained that certain SG&A costs listed in worksheet G-	Having regard to PMB's direct selling expenses calculations and other accounting

PUBLIC RECORD

	4.1 to PMB's REQ were incorrectly categorised as direct selling expenses.	information, PMB's SG&A expense listing was amended to ensure the expenses reflected the indirect expense category.
2	The total company sales revenue reported by PMB in worksheet G-4.2 of its REQ was found to be incorrect when compared to the relevant sales records for PMB.	PMB's worksheet G-4.2 was updated to reflect the correct sales revenue.

Table 6 Exceptions during verification of completeness and relevance of CTMS data

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the REQ by PMB, including any required amendments as outlined as an exception above, is complete and relevant.

6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information provided in the REQ to the relevant MCCs, 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**.

Table 7 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw materials were allocated based on production volume.
Scrap Allocation	The value of scrap which could not be recovered was allocated across the production volume of the production activity where the scrap was generated.
Manufacturing Overheads	Allocated by production volume relevant to the activity in which certain costs were recognised.
Labour	Allocated by production volume relevant to the activity in which certain costs were recognised.
Depreciation	Allocated by production volume relevant to the activity in which certain costs were recognised.

Table 7 Cost allocation method

6.2 Verification of Accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process however it was necessary to re-map the amended MCC structure discussed in section 2.2.1 to the CMTS data as initially supplied by PMB. Re-mapping the MCC structure to PMB costs was not considered an exception. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.3 Related party suppliers

The verification team established that PMB sourced raw materials from related party suppliers for the production of billet and in the production of aluminium extrusions.

PUBLIC RECORD

In order to establish whether PMB's purchase of raw materials from related party suppliers were at arms length the verification team had regard to the following;

- The raw materials purchases listing provided by PMB at G-7.4 of its REQ;
- Documentation (such as commercial invoices) relating to a sample of purchases reported in G-7.4;
- The 2019 financial year audited income statements provided in relation to PMB's related party suppliers; and
- Prevailing London Metal Exchange (LME) market prices, inclusive of relevant product premiums, for primary aluminium ingot and billet alloy.

After examination of the above information, the verification team observed that;

- PMB's raw material purchases listing provided at G-7.4 of its REQ accurately reflected its accounting records and the supporting documentation for a selection of transactions;
- The price paid by PMB to its related party customers was consistent with the prevailing LME price and premiums;
- PMB's related party suppliers 2019 audited income statements reported generating a profit from operating activities before adjustment for net finance costs and overall reported a net profit after tax.

Having regard to the profit achieved by PMB's related party suppliers, the verification team considers it likely that the price paid by PMB was above the supplier's combined cost of production and SG&A cost and indicative of the circumstance that the price did not appear to be influenced by the relationship between PMB and its related party suppliers.

Subject to any information that suggests otherwise, for the purpose of this report, PMB's purchases of raw materials from related party suppliers have been considered as arms length transactions.

6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by PMB, is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

The verification team considers PMB's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods on the basis that the customer was;

- named on the commercial invoice;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the Australian port of arrival.

7.2 The exporter

The verification team considers PMB to be the exporter of the goods⁶, as PMB is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export;
- arranges and pays for the ocean freight and marine insurance; and
- reimburses the importer for Australian importation costs.

The verification team is satisfied that for all Australian export sales during the period prior to 22 November 2019 that PMB was the exporter of the goods.

7.3 Arms length

7.3.1 Related party customers

At B-2.4 to its REQ, PMB reported that its customers for the goods exported Australia are related.

As a result the verification team undertook an examination of PMB's export prices to evaluate whether those prices had the appearance of being influenced due to the relationship between the parties to the transaction. PMB's export prices were assessment having regard to an examination of the following information;

- the profit on PMB's exports of the goods to Australia, having regard to all of the costs it incurred in the production and sale of the goods;

⁶ 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.

PUBLIC RECORD

- price lists provided in relation to a sample of export transactions subject to detailed examination;
- the LME market price trends;
- the manner in which PMB's Australian customers paid for the goods;
- treatment of certain exportation costs covered by PMB; and,
- the established trading practices between PMB its Australian customer.

In respect of PMB's export sales of the goods to its related customer in Australia during the 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 appeared to be 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 receive a benefit for, or in respect of, the whole or any part of the price.⁷

The verification team therefore considers that all export sales to Australia made by PMB to its related customer during the period were arms length transactions.

7.4 Export price – assessment

In respect of Australian sales of the goods by PMB, the verification team recommends that the export price be determined under section 269TAB(1)(a), as the price paid for the goods by the importer, other than any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Specifically, the verification team recommends that the appropriate method of calculating the FOB export price as the price paid by PMB's Australian customers, as stated on commercial invoices, less relevant costs to the FOB level, i.e. the sum of Australian importation costs, marine insurance, ocean freight and stillage shipping expenses.

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

⁷ Section 269TAA refers.

8 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

8.1.1 Related party customers

At D-2.2 to its REQ, PMB reported that some of its customers for like goods are related.

As a result the verification team undertook an examination of PMB's domestic prices to evaluate whether those prices had the appearance of being influenced due to the relationship between the parties to the transaction. PMB's like goods prices were assessed having regard to an examination of the following information;

- price lists provided in relation to a sample of export transactions subject to detailed examination;
- the LME market price trends;
- the prices paid by unrelated parties;
- the manner in which PMB's domestic customers paid for the goods; and
- the established trading practices between PMB its related party customers.

With the exception of one particular customer, for whom it was ascertained had not paid for any of its like goods purchases during the period, PMB's prices for sales to related parties were considered arms length. For the goods sold to the customer who had not paid for those goods, no evidence was produced that supported payment had occurred.

In respect of PMB's domestic sales of like goods to its related customers during the 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 appeared to be 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 receive a benefit for, or in respect of, the whole or any part of the price.⁸

The verification team therefore considers that, with the exception of sales to one particular related party customer, all other domestic sales made by PMB to its other related customers during the period were arms length transactions.

⁸ Section 269TAA of the Act refers.

8.1.2 Unrelated customers

In respect of PMB’s domestic sales of like goods to its unrelated customers during the 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 appeared to be 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 not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by PMB to its unrelated domestic customers during the period were arm’s length transactions.

8.2 Ordinary course of trade

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are:

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.⁹

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

The team then tested whether the unprofitable sales were in substantial quantities (not less than 20 per cent) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly cost to make and sell, excluding direct selling expenses
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the period.

Table 8 OCOT details

⁹ In general, the Commission will consider ‘extended period’ and ‘reasonable period’ to be the investigation, review or inquiry period.

8.3 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export.

An exporter's domestic sales of like goods are taken to be in a low volume under section 269TAC(14) where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than five per cent of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was five per cent or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

This analysis is detailed in the table below.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
M-6A-T1	Y	Domestic sales of M-6A-T1
M-6A-O	Y	Domestic sales of M-6A-O
M-6B-T1	Y	Domestic sales of M-6B-T1

Table 9 Domestic volumes

The verification team's volume analysis is at **Confidential Appendix 3**.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at FOB terms, the verification team has considered the following adjustments in accordance with section 269TAC(8).

9.1 Rationale and Method

Adjustment Type	Rationale for Adjustment	Calculation Method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Having regard to the revised payment terms worked out at Item 14 in Table 5 the period in which domestic customers were allowed to pay was observed to be materially different when compared to period relevant to PMB's Australian sales.	The cost of domestic credit terms was calculated using the revised payment terms worked out at Item 14 in Table 5 combined with an appropriate overdraft borrowings interest rate applied to the relevant invoice value. ¹⁰	Yes	Yes
Domestic inland transport	Domestic selling prices included delivery, which was found to be at a different level of cost compared to export delivery expenses to the port of export.	Having regard to the data in PMB's accounts and its reported sales volume, a weighted average unit cost per quarter was determined.	Yes	Yes
Domestic packaging	Domestic packaging costs were included in the price and were found to be less than export packaging costs.	Having regard to the data in PMB's accounts and its reported sales volume for the December 2019 quarter, a weighted average unit packing cost was determined and applied to all other quarters. Sales volumes between quarters were similar so the December 2019 quarter is considered a suitable proxy for all other quarters.	No	Yes
Export packaging.	Packaging costs for Australian exported goods were included in the price and were found to be higher than cost of packing for domestic sales.	Having regard to the data in PMB's accounts and its reported sales volume for the December 2019 quarter, a weighted average unit packing cost was determined and applied to all other quarters. Sales volumes between quarters were similar so the December 2019 quarter is considered a suitable proxy for all other quarters.	No	Yes

¹⁰ The formula outlined in section 15.3 on page 75 of the Manual refers.

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Adjustment Type	Rationale for Adjustment	Calculation Method and evidence	Claimed in REQ?	Adjustment required?
Export inland transport.	Australian export prices included delivery to the port of export, which was found to be at a different level of cost compared to cost of delivery incurred by PMB on its domestic sales.	Having regard to the data in PMB's accounts and its reported sales volume, a weighted average unit cost per quarter was determined.	Yes	Yes
Export port handling charges.	The price of PMB Australian exports includes costs incurred at the port of export.	Having regard to the data in PMB's accounts and its reported sales volume, a weighted average unit cost per quarter was determined.	Yes	Yes
Export credit terms.	Having regard to the revised payment terms worked out at Item 10 in Table 5 the period in which Australian customers were allowed to pay was observed to be materially different when compared to period relevant to PMB's domestic sales.	The cost of Australian sales credit terms was calculated using the revised payment terms worked out at Item 10 in Table 5 combined with an appropriate overdraft borrowings interest rate applied to the relevant invoice value. ¹¹	Yes	Yes
Level of trade.	A material proportion of PMB's domestic sales were at a level of trade that was not equivalent to the level of trade of its Australian customers. An examination of price differences and customer profiles aided in establishing the existence of material differences in price due to level of trade.	The value of the adjustment was worked out by identifying the difference between the net profit margins on domestic sales at different levels of trade and applying the variance to domestic sales that did not correspond to the level of trade relevant to PMB's Australian customers	Claimed during verification.	Yes – only on certain sales

Table 10 Assessment of adjustments

9.2 Comments on adjustments relating to credit

In a submission to the verification process, PMB proposed that the payment terms for Australian sales should be based on a period that reflects difference between the following dates;

- the date on which PMB's related Australian customer, Press Metal Aluminium (Australia) Pty Ltd (PMAA), or the date that PMAA's customers took delivery of the goods; and
- the date on which PMAA paid for those goods.

PMB further argues that PMAA's auditors recognise purchases and permits PMAA to bring them into its stock value at a later point, that is, only when received by PMAA into its warehouse or by PMAA's customer. The verification team has received no

¹¹ The formula outlined in section 15.3 on page 75 of the Manual refers.

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evidence that this kind of accounting treatment is actually practiced even though it would be open for PMB to provide it given that PMB and PMAA are related.

PMB also conveys an understanding that the payment terms would be calculated by recognising the difference between the bill of lading date/shipping date and the PMAA date of actual payment. The verification team confirms that PMB's understanding is correct since the payment terms have been worked out using the ARR method which does not rely on the dates that PMB presumed would be used by the verification team.

The Commission's Manual states "*If some other credit period is claimed for adjustment purposes evidence would need to exist showing that prices were set having regard to that other period and not to the credit terms as shown on the invoice*".¹²

PMB's submission centres on a proposition that PMAA's liability for payment of the goods arises only when the goods land in Australia or when PMAA's Australian customers take delivery. However, PMB's submission has not outlined the evidence to support why PMB set its prices having regard to its proposed approach.

The verification team tested PMB's proposed methodology and observed that the payment term calculated based on the ARR method produced a significantly shorter period than the period which would result using PMB's approach.

The verification team remains satisfied that the approach to working out the payment terms for PMB's domestic and Australian sales is consistent with the methodology outlined in the Manual regarding situations where the credit terms on the invoices are not adhered to.¹³

9.3 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit.
Domestic inland transport	Deduct an amount for domestic inland transport.
Domestic level of trade	Add/deduct amounts relevant to differences in price brought about by sales at a non-comparable level of trade.
Domestic packaging	Deduct an amount for domestic packaging.
Export packaging	Add an amount for export packaging.
Export inland transport to port of export	Add an amount for export inland transport.
Export port handling, loading and ancillary expenses	Add an amount for port charges.

¹² The Manual at page 74 refers.

¹³ Ibid

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Adjustment Type	Deduction/addition
Export credit terms	Add an amount for export credit terms.

Table 11 Summary of adjustments

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

10 NORMAL VALUE

The verification team found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. The verification team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The verification team has determined a normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 9.

The verification team's normal value calculations are at **Confidential Appendix 4**.

11 DUMPING MARGIN

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the review period under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by PMB for the period and prior to 22 November 2019 is **3.3 per cent**.

The dumping margin calculation is at **Confidential Appendix 5**.

12 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program