



Importer Verification Report

Verification & Case Details

Initiation Date	17 February 2020	ADN:	2020/013
Case Number	542		
The goods under consideration	Aluminium micro-extrusions		
Case type	Investigation		
Importer	Darley Aluminium Trading Pty Ltd		
Verification from	Desktop verification		
Investigation Period	1 January 2019 to 31 December 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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1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Darley Aluminium Trading Pty Ltd (Darley) is an Australian private company incorporated in November 1996. Darley is fully owned by DL Aluminium Holdings Pty Ltd. The ultimate parent entity is corporate trustee named Darley Aluminium Pty Ltd.

Darley is an importer and distributor of aluminium products in Australia, with products sourced from producing extruders in the People's Republic of China (China). Darley sell a variety of aluminium extrusions, including aluminium micro-extrusions (the goods), to various levels of trade in Australia including fabricators, retailers and wholesalers. Darley sells the goods in the condition in which they were imported.

1.2 Related parties

The verification team examined the relationships between related parties involved in the importation and sale of the goods.

Based on information available to the verification team, the verification team found no evidence that Darley have any related party customers or suppliers of the goods during the investigation period.

2 THE GOODS

2.1 The goods

Darley confirmed that it imported aluminium micro-extrusions from China during the investigation period matching the description of the goods that are the subject of this investigation.

2.2 Model control codes (MCCs)

Darley provided sales data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/013. The company did not propose changes to the MCC.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Form	Determined with reference to product codes and descriptions on the commercial invoices.
Finish	Based on the finish shown on the commercial invoices.

Table 1 MCC sub-category determination

2.4 The goods imported and sold in Australia

The verification team were satisfied that Darley sold goods with the following MCCs during the investigation period:

F-P, F-A, F-M, H-P, H-A and H-M.

2.5 Like goods

The importer agreed that the Australian Industry produced like goods to the goods that it imported during the investigation period.

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 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 income statement.

The verification team verified the completeness and relevance of the sales listing provided in Part C of the questionnaire response by reconciling this to financial statements in accordance with ADN No. 2016/030.

It is noted that Darley's financial year runs from 1 July to 30 June. Therefore, the verification team verified the relevance and completeness of the sales data as follows:

- Reconciled the total revenue as per Darley's 2019 audited financial statement (this statement was close to sign-off at the time of verification) to the total revenue as reported in the 2019 management reports. The verification team was satisfied as to the reliability and integrity of Darley's management reports; and
- Darley also provided samples of the sales reconciliation and explained how the sales listing volumes and values were extracted from their systems.

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**.

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Darley is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 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.

As discussed in the Consideration Report¹, section 2.5.2, the Australian Border Force (ABF) import database does not separate aluminium extrusions into an identifiable sub-category covering only the goods. Both goods and non-goods are within the same tariff classifications and statistical codes. Darley identified in its ABF importation data, with reference to weight and profile, which shipments contained the goods. The result of this process was a subset of ABF importation data that contained only the goods.

The verification team verified accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to source documents, with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded, in accordance with ADN No. 2016/030.

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**.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Darley is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

¹ [Document No. 2](#) on the EPR.

5 VERIFICATION OF IMPORTS

5.1 Import listing

Darley confirmed that the import listing extracted from the ABF import database is a complete list of imports of general aluminium extrusions, covering both goods and non-goods, over the investigation period.

As discussed in section 4 of this report, the verification team relied on a subset of ABF importation data, containing only the goods, to calculate the weighted average FOB export price.

The verification team calculated the weighted average free-on-board (FOB) export price by supplier at **Confidential Appendix 1**.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the Commission selected 11 shipments for Darley to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to source documents in accordance with ADN 2016/030.

For each of the selected shipments, Darley provided the following source documents, on which it is named as the purchasing party:

- Commercial invoice from its supplier
- Packing list from its supplier
- Australian customs entry declaration
- Bill of lading
- Freight and port charges

5.3 CTIS allocation method

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Based on the actual ocean freight cost, invoice by supplier, allocated to goods based on weight.
Marine insurance	Based on the actual marine insurance cost, invoice by supplier, allocated to goods based on weight.
Customs Entry fees	Based on the actual customs fees, tax disbursement invoice by freight forwarder, allocated to goods based on weight.
Quarantine charges	Based on the actual quarantine charges, invoice by freight forwarder, allocated to goods based on weight.

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Port service charges	Based on the actual port service charges, invoice by freight forwarder, allocated to goods based on weight.
Delivery	Based on the actual delivery cost, invoice by freight forwarder, allocated to goods based on weight.
SG&A	Based on the operating costs, allocated as a percentage of sales revenue.

Table 2 Verification of cost calculation method

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**.

5.4 Verification of CTIS 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 key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/030.

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**.

5.5 Forward orders

At the time of the response of importer questionnaire, Darley did not have any forward orders.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Darley is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 1**.

6 EXPORT PRICE

6.1 The importer

The verification team considers Darley to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Darley:

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

6.2 The exporter

Subject to further inquiries, the verification team considers Guangdong Zhongya Aluminium Co. Ltd. (Zhongya Aluminium) to be the exporter of the goods². Invoices issued to Darley in relation to the export of extrusions were issued by Zhongya Shaped Aluminium (HK) Holding Ltd (Zhongya HK). The verification team understands that Zhongya HK is related to Zhongya Aluminium.

6.3 Profitability of imports

Given the nature of Darley's import of the goods as discussed in sections 4.1 and 5.1, the verification team undertook assessment of the profitability of sales of the goods identified by Darley during the whole investigation period. The assessment also accounted for the different SG&A costs incurred for distribution sales and trader sales.

The outcome of this assessment is in Table 3 below.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	N/A as this shipment did not contain the goods
7	Y
8	N

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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9	Y
10	Y
11	Y
Weighted average all shipments	Y

Table 3 Profitability of selected imports

Overall, the verification team is satisfied that the sales of imported aluminium extrusions were profitable.

The assessment is at **Confidential Appendix 1**.

6.4 Related party suppliers

The verification team did not find any evidence that Darley is related to its supplier of aluminium micro-extrusions exported from China during the investigation period.

However, the verification team is not proposing to come to a final conclusion in the verification report on whether the importer and exporter are related parties. Further consideration will need to be given by the case team following the conclusion of the exporter verification report.

6.5 Arms length

In respect of imports of aluminium micro-extrusions to Australia by Darley during the investigation 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, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between Darley and its suppliers are arms length transactions.

6.6 Export price assessment

Based on information available to the verification team, export transactions made during the investigation period involved Zhongya Aluminium selling the goods to a related trading entity, Zhongya HK, before the goods being on sold to Darley.

Subject to further inquiries, the verification team recommends that the export price for aluminium extrusions imported by Darley from Zhongya Aluminium can be established under s.269TAB(1)(c) of the *Customs Act 1901*, having regard to all the circumstances of the exportation. Specifically, the verification team recommends that export price be established using the price paid by the importer to the trader.

7 GENERAL COMMENTS

Darley provided information and general comments in regards to Aluminium Shapemakers Pty Ltd (AluShapes) injury claim and the Australian industry in general.

7.1 Like goods

Darley informed that the goods should not be distinguished from general aluminium extrusions because the goods are:

- produced in the same manner as general aluminium extrusions;
- sold to the same channels as general aluminium extrusions; and
- subject to existing anti-dumping and countervailing measures as general aluminium extrusions.

Darley informed that the goods are small sized aluminium extrusions and that all aluminium extrusions should be 'like goods'. Darley cited Guangdong Jiangsheng Aluminium (Australia) Pty Ltd's submission³ regarding this issue.

Darley advised that the goods have also been considered like goods to general aluminium extrusions in:

- historical cases INV 148, CON 287, INV 442, REV 482; and
- ongoing cases INV 540, INV 541, REV 544 and CON 543.

Darley claimed that micro-extrusions weighing less than 200 grams per metre in length was not industry standard or common classification. Instead, Darley offered the following suggestions of industry broad categorisations:

- hollow and not hollow; and
- a general categorisation of 'light weight'.

7.2 Customer purchasing decision

Darley advised that the majority of their sales of the goods were products with Darley's proprietary design. Darley considered this intellectual property as its unique competitive advantage. In Darley's opinion, other important factors to the customers purchasing decision are:

- prices and lead times;
- stock variety (with an emphasis on surface finished goods and the range of aluminium extrusion, including the goods);
- stock availability;
- customer service;
- reputation; and

³ [document no. 5](#) on the EPR

- customer relationships.

7.3 Australian market size

Darley advised that the goods accounted for a minor proportion of the total aluminium extrusion it imported from China. Darley further informed that the goods were treated equally with general aluminium extrusions, being imported and sold in the same manner.

Darley referenced AluShapes' comment that it supplies 'slightly more than 100 tonnes'⁴ of micro-extrusion. Darley noticed AluShapes has estimated the total market size for the goods in Australia as between 2000 and 2500 tonnes.⁵ As such, Darley advised that a significant portion of the Australian market for the goods was supplied by exporters or countries not subject to this investigation. Darley also understands that certain other Australian aluminium extrusion producers – including those identified as members of the Australian industry for producing like goods that support AluShapes' application, are importers of the goods from China and other countries. Therefore should there be any injury caused by imports of non-subject exporters, it should not be attributed to the alleged dumping of the goods from the subject Chinese exporters.

7.4 Manufacturing and capacity limitations

Darley claimed that AluShapes could not manufacture powder coated or anodised aluminium extrusions due to its current production capability. AluShapes sell only mill finish goods that require surface finishing by a third party. Darley commented that generally the goods cannot be used as a final product unless it is powder coated. This limits the attractiveness and the customer base for AluShapes' product. This also means that Darley's customer base for the goods is quite different to that of AluShapes.

Regarding AluShapes' claim that the goods are more costly to produce, Darley claimed that this issue is likely to be unique to AluShapes due to its constraint production capacity and capability for aluminium extrusion in general, and not a common experience for all producers. Darley notes that, due to economies of scale, larger producers such as Zhongya Aluminium can better manage cost variances through production order management and larger and more efficient production runs.

7.5 Other factors

Darley refute AluShapes' flat-pricing claim. Darley considers that some form of "flat pricing" in the aluminium extrusion market may exist when the goods is sold as a small portion of a large sales order for an extensive range of aluminium extrusion products. Darley advises that generally, like any other aluminium extrusion, the price

⁴ [document no. 1](#) on the EPR

⁵ [document no. 6](#) on the EPR

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of the goods is dependent on product specifications. As the GUC's feature is being a light product with a large surface, this is therefore taken into account for the pricing of the product.

Darley claimed that, from the customer's point of view, the ability to offer a comprehensive product range of general aluminium extrusions can be more important to a customer's purchasing decision than the pricing of the goods, as the goods are often a small part of a larger order. Therefore, unless a customer buys only the GUC, customers will have to go to a large stockist like Darley who supply the full range of aluminium extrusion products, rather than to buy from AluShapes.

Darley pointed to INV 442, in which Zhongya Aluminium were found not to be dumping general aluminium extrusions, including the goods. Darley claimed that even if the subject exporters completely stopped supplying the goods to the Australian market, its customers would likely purchase from other exporters before purchasing from AluShapes.

Darley advised that imposition of dumping duties may not incentivise more Australian production of the goods.

Details of Darley's comments regarding the import and sales of the goods and the Australian market conditions concerning the goods are contained in its response to the verification work program, at **Confidential Attachment 1**.

8 ATTACHMENTS

Confidential Appendix 1	Profitability of imports and export price
Confidential Attachment 1	Verification Work Program