



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	13 February 2020	<b>ADN:</b>	2020/017
<b>Case</b>	Aluminium Extrusions - Initiation of a Continuation Inquiry into Anti-Dumping Measures – China		
<b>Case Number</b>	543		
<b>Exporter</b>	Goomax Metal Co. Ltd Fujian		
<b>Location</b>	Desk top review		
<b>Verification from</b>	16/04/2020	<b>to</b>	04/06/2020
<b>Inquiry Period</b>	1 January 2019	<b>to</b>	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**

Goomax Metal Co. Ltd Fujian (Goomax) is a limited liability company with two individual shareholders. There are a number of related entities affiliated with Goomax.

Goomax produces stainless steel tubes, aluminium extrusions, windows, doors and solar frames. Companies affiliated with Goomax produce and/or sell similar goods, however service different geographical markets.

Goomax had one related Australian company which was deregistered in February 2019.

### **1.2 Related Parties**

The verification team examined the relationships between Goomax and entities involved in the manufacture and sale of the goods.

The verification team found that Goomax did not have any related party customers or suppliers of the goods during the inquiry period.

### **1.3 Accounting records**

The exporter's accounting records are not audited, however the company confirmed that their accounts are held in accordance with the China's generally accepted accounting practices.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

The verification team outlined the stages of production stages as follows:

- **Creation of Aluminium Rods:** The factory melts aluminium ingot and scrap aluminium to produce aluminium rods. Alternatively bar can be purchase bar.
- **Extrusions Line:** The aluminium rods are transferred to the extrusions line where they are heated and cut into appropriate lengths before being extruded through the appropriate model. The resultant product from this stage of production is a mill finished product. This is the base product for further processing know as mill finish.
- **Powder Coating Line:** The mill finish product is taken to the powder coating line where it is powder coated to the customer specification. A heating process is completed after the powder coating to dry the product and fix the powder coat to the extrusion.
- **Wood Grain Line:** A wood grain finish is applied to powder coated product. The process involves the application of a stencil to the powder coated extrusion, which is then wrapped in plastic and placed into an oven.
- **Anodised Line:** Mill finished products are taken to the anodising line where oil is removed using acid and alkaline solutions before the goods undergo a wash. The anodising process is conducted, after which the product is washed and aired. The anodising process sets the colour of the product.
- **Electrophoresis Line:** The product is first anodised, then the anodised product undergoes the electrophoresis process. This involves an electric current being placed across the extrusion, and the extrusion being placed in a chemical bath. The product is then washed in pure water and heated to dry the product before airing.
- **Transfer to Warehouse:** The finished goods are transferred to the warehouse for despatch. The verification team noted that domestic and export products had slightly different packaging as follows:
  - The domestic product was packed in small bundles covered in paper with a label on the end of each bundle.
  - The export product had the same base packaging as the domestic product, however it has an additional plastic wrap around each bundle. Otherwise the packaging was identical.
- **Despatch:** The goods are loaded directly from the finished goods warehouse into trucks for delivery, no additional bundling was observed for the domestic shipments being despatched. The company explained that for export packing the goods are loaded directly into shipping containers.

## 2.2 Model Control Codes

Exporter provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/017.

The company provided all the mandatory sales data and data for optional categories.

### 2.2.1 Amendments to MCCs

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

No.	Amendment	Resolution
1	The company also produces two additional models on the domestic market with different finishes including Wood grain and Electrophoresis	Verification team included both Wood grain and Electrophoresis finishes to the MCC structure.

**Table 1 Amendment to the MCCs**

## 2.3 Verification of MCCs

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Finish	Determined with reference to the description in commercial documents.
Alloy code	Determined with reference to the description in commercial documents.
Temper code	Determined with reference to the description in commercial documents.
Anodising microns	Determined with reference to the description in commercial documents.

**Table 2 MCC sub-category determination**

## 2.4 The goods exported to Australia

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

- A-O-T1-1
- M-6A-T1-0

- M-6C-T1-0
- M-O-T1-0
- PC-6A-T1-0

## **2.5 Like goods sold on the domestic market**

The verification team was satisfied that exporter sold like goods in 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 not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

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

- A-6A-T1-1
- E-6A-T1-1
- M-6A-T1-0
- PC-6A-T1-0
- WG-6A-T1-0

## **2.6 Like goods – assessment**

The verification team considers that the goods produced by exporter 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 *Customs Act 1901* (the Act).<sup>1</sup>

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

### **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 verification team notes that Goomax is not required to have their financial accounts audited and therefore in addition to reconciling to 2019 financial accounts the verification team also reconciled export and domestic sales to 2019 income tax returns.

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

- Goomax's total company revenue in its 2019 Income tax return and 2019 financial accounts reconciled to main income and other income ledgers
- The main income ledger reconciled to a detailed sales ledger
- The detailed sales ledger was reconciled to the domestic sales listing submitted in the 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**.

#### **3.1 Exceptions during verification of sales completeness and relevance**

No.	Exception	Resolution
1	The company advised other costs including bank charges were not provided in the initial Australian sales listing.	The company submitted a revised Australian sales listing including bank charges.

**Table 3 Exception 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 exporter, 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**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	Allocation of ocean freight to GUC could not be verified to source documentation regarding one export sale.	The company submitted additional source documentation which verified the allocation of ocean freight.
2	The finish of two models could not be reconciled to source documentation regarding two export sales.	The company submitted additional source documentation which reconciled the finish to source documentation.
3	REQ indicated the company offered no credit terms for export and domestic sales. However the verification team identified time lags between dates of sale and payment dates regarding some export and domestic sales.	The company submitted additional information and the verification team calculated credit adjustments for both export and domestic sales.

**Table 4 Exceptions during verification of accuracy of sales data**

### **4.2 Sales accuracy finding**

The verification team is satisfied that the sales data provided by exporter, 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 VERIFICATION OF COST TO MAKE AND SELL (CTMS) 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 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.

As per the upwards sales verification the verification team notes that Goomax is not required to have their financial accounts audited and therefore in addition to reconciling to 2019 financial accounts the verification team also reconciled total cost of production to 2019 income tax returns.

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

- Goomax's total company cost of goods sold (COGS) in its 2019 Income tax return and 2019 financial accounts reconciled to its main business COGS and other business COGS ledgers
- The main business ledger reconciled to the finished goods inventory ledger
- The finished goods inventory ledger for the goods were reconciled to the costs data submitted in the REQ

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

- Goomax's SG&A expenses in the 2019 income statement reconciled to Goomax's trial balance
- Goomax's SG&A data submitted in the REQ reconciled to Goomax's trial balance

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**.

### 5.1 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Goomax 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 5 below outlines the allocation method applied to each cost item.

Cost item	Method applied	Evidence relied upon
Raw Materials	Weighted average actual cost to move goods from raw materials to finished goods and allocated to the GUC based on production quantity.	Accounting system production cost reports
Scrap Allocation	The company advised all scrap produced is recycled and no costs are allocated to it.	Exporter questionnaire Previous verification report
Manufacturing Overheads	Allocated to the GUC based on production quantity.	Accounting system production cost reports
Labour	Allocated to the GUC based on production quantity.	Accounting system production cost reports
Depreciation	Allocated to the GUC based on production quantity.	Accounting system production cost reports

**Table 5 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 identified one issue 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**.

### **6.3 Exceptions during verification of accuracy of CTMS data**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	Delivery terms regarding raw material purchases could not be substantiated.	The company submitted additional supporting evidence to verify delivery terms.

**Table 6 Exception during verification of accuracy of CTMS data**

### **6.4 Related party suppliers**

The Commission will further assess whether these cost items represent competitive market costs as the case continues.

### **6.5 Accuracy finding**

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Goomax, including any required amendments as outlined as an exception above, 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

Subject to further enquiries with relevant importers, in relation to the goods exported by Goomax, the verification team considers that the 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.

### 7.2 The exporter

The verification team considers Goomax to be the exporter of the goods<sup>2</sup>, as Goomax 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 regarding cost , insurance and freight (CIF) sales;

The verification team is satisfied that for all Australian export sales during the period the verification team considers Goomax to be the exporter of the goods.

### 7.3 Arms length

#### 7.3.1 Unrelated customers

In respect of Goomax's Australian sales of the 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 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 receive a benefit for, or in respect of, the whole or any part of the price.<sup>3</sup>

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<sup>2</sup> 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.

<sup>3</sup> Section 269TAA refers.

The verification team therefore considers that all export sales made by Goomax to its unrelated Australian customers during the period were arms length transactions.

#### **7.4 Export Price – assessment**

In respect of Australian sales of the goods by Goomax, the verification team recommends that the export price be determined under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

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

## 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 Unrelated customers

In respect of Goomax '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 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 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 Goomax 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.<sup>4</sup>

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The Commission is currently considering this claim. Therefore, the assessment of whether domestic sales are in the OCOT has been referred to the case management team for consideration.

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<sup>4</sup> 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**

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). The application has also claimed that exporters' records do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

The Commission is currently considering these claims. Therefore, the verification team has referred consideration of the volume of relevant sales to the case management team.



## 9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8) or section 269TAC(9)<sup>5</sup>.

### 9.1 Rationale and Method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Goomax did not offer credit terms for domestic customers. However regarding some sales the verification team identified time lags between dates of sale and payment dates. Therefore an adjustment was calculated based on outstanding payment days.	The domestic credit rate is based on Goomax's short term borrowing rate applied to the weighted average number of payment days.	No	Y
Domestic inland transport	Goomax incurred inland transport expenses for all domestic sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	No	Y
Domestic packaging	Goomax advised that packaging costs are included in the cost of production under manufacturing overhead expenses.	Goomax does not differentiate the cost of packaging between domestic and export goods. As a result, no adjustment has been calculated.	No	N
Export packaging	As per domestic packaging		No	N
Export inland transport	Goomax incurred inland transport expenses for all Australian sales.	Weighted average unit value based on the total inland transport costs and invoice quantity.	No	Y
Export port charges	Goomax incurs port charges for exports of the goods.	Weighted average unit value based on actual handling cost and invoice quantity.	No	Y
Export credit terms	Goomax did not offer credit terms for Australian customers. However regarding some sales the verification team identified time lags between dates of sale and payment dates. Therefore an adjustment was	The export credit rate is based on Goomax's short term borrowing rate applied to the weighted average number of payment days.	No	Y

<sup>5</sup> As the case management team is assessing market situation claims a basis for normal value has not been determined. The basis on which the normal value is determined will determine the section under which adjustments are necessary.

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	calculated based on outstanding payment days.			
Export bank charges	Goomax incurred bank charges for most Australian sales.	Weighted average unit value based on the total bank charges and invoice quantity.	No	Y

**Table 7 Assessment of adjustments**

## 9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) or section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Export credit terms	Add an amount for export credit terms
Export bank charges	Add an amount for export bank charges

**Table 8 Summary of adjustments**

## 10 NORMAL VALUE

As stated in chapter 8, the application has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that, once the case team determines the basis for calculating the normal value, certain adjustments in accordance with either section 269TAC(8) or section 269TAC(9) are necessary to ensure that normal values are properly comparable with export prices. These adjustments are outlined in chapter 9 above.

## **11 DUMPING MARGIN**

Normal values were not determined as part of the verification process (see chapter 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by Goomax for the period. The calculation of the dumping margin has been referred to the case management team and will be detailed in the Statement of Essential Facts.

## 12 SUBSIDIES

### 12.1 Less than adequate remuneration

The verification team verified the completeness, relevance and accuracy of the raw material purchase listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

The verification team noted no raw materials were supplied or manufactured by a State Invested Enterprise.

The verification team identified one issue 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**.

#### 12.1.1 Exceptions during verification of raw material purchase listing

No.	Exception	Resolution
1	Delivery terms regarding raw material purchases could not be substantiated.	The company submitted additional supporting evidence to verify delivery terms.

Table 9 Exceptions during the verification of raw material purchase listing

### 12.2 Tax benefits

The verification team verified the income tax information provided in the REQ by reconciling the information to the tax returns and proof of payment documents.

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**.

### 12.3 Financial Grants

The verification team verified the completeness, relevance and accuracy of the financial grants listing provided in the REQ by reconciling the listing up to the general ledger and down to source documents.

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**.

### 12.4 Preferential interest rate/loans

The verification team notes there were no preferential interest rate/loans submitted in the REQ.

## **12.5 Subsidy margin**

The verification team found that Goomax received a benefit in relation to multiple grants.

On the basis that the case management team finds these grants to be countervailable subsidies, the verification team has calculated a preliminary subsidy margin for Goomax during the investigation period to be **1.0 per cent**.

Details of the preliminary subsidy margin calculation are at **Confidential Appendix 6**.

## 13 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales
<b>Confidential Appendix 6</b>	Subsidy margin
<b>Confidential Attachment 1</b>	Verification work program