



Importer Verification Report

Verification & Case Details

Initiation Date	24 February 2020	ADN:	2020/014
Case Number	544		
The goods under consideration	Aluminium Extrusions		
Case type	Review		
Importer	Aus Star Holdings International Pty Ltd		
Location	Remote Verification		
Review 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

Aus Star Holdings International Pty Ltd (Aus Star) is a privately listed company which procures, distributes, and sells aluminium products including extrusions, rolled products, fabricated products, shade and screening systems, formwork, and accessories and hardware to suit these products.

Aus Star has two trading divisions; StarAlum and StarBuild.

1.2 Related parties

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

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

2 THE GOODS

2.1 The goods

Aus Star confirmed that it imported the goods from Vietnam during the review period matching the description of the goods that are the subject of this review.

2.2 Model control codes (MCCs)

Aus Star provided sales and cost data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/014.

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
Finish	Determined with reference to the description on exporter's commercial invoice which also states the importer's stock code. This stock code was cross-referenced to the same stock code on the importer's sales invoice to the Australian customers.
Alloy	Determined with reference to the description on exporter's commercial invoice which also states the importer's stock code. This stock code was cross-referenced to the same stock code on the importer's sales invoice to the Australian customers.
Temper Code	Determined with reference to the description on exporter's commercial invoice which also states the importer's stock code. This stock code was cross-referenced to the same stock code on the importer's sales invoice to the Australian customers.
Anodising Microns	Determined with reference to the description on exporter's commercial invoice which also states the importer's stock code. This stock code was cross-referenced to the same stock code on the importer's sales invoice to the Australian customers.

Table 1 MCC sub-category determination

2.4 The goods imported and sold in Australia

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

- A-6A-T1-1
- A-6B-T1-1
- A-6C-T1-1
- M-6A-T1
- M-6B-T1
- M-6C-T1
- M-6D-T1
- PC-6A-T1
- PC-6B-T1

2.5 Like goods

The importer agreed that the Australian Industry produced like goods to the goods that it imported during the review 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 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 sales listing provided in Part C of the questionnaire response by attempting to reconcile this to financial statements and tax returns in accordance with ADN No. 2016/30. However, the following issues were encountered in relation to the sales listing prepared by Aus Star.

- Aus Star stated that it does not record the sales of goods from its various suppliers in separate cost of goods sold accounts;
- Aus Star was unable to identify the sales of the goods it imported from Vietnam (Part C of the response to the importer questionnaire) within the revenue accounts relied on to prepare its financial statement;
- Aus Star provided an extract from its accounting system of sales it purported to represent sales of all products imported from Vietnam however it could not guarantee that this only included sales of the goods from Vietnam;
- Aus Star advised that in some instances it sourced the same extrusion from more than one supplier however was unable to identify from which supplier the inventory was sourced;
- The verification team was only able to verify the total value of all aluminium sales to the financial statements;
- Aus Star was unwilling to disclose the identity of certain other extrusion suppliers so the relevance of the transactions in its sales listing could not be assessed.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

In response to receiving a draft copy of this report, Aus Star reiterated in the submission at **Confidential Attachment 2** that it was not inclined to disclose the identity of all of its extrusion suppliers on account of it being unclear as to how this information was relevant to the verification process.

The verification team informed Aus Star during verification that information about its suppliers of aluminium extrusions was relevant to the finding on whether its Australian sales listing at Part C of its RIQ contained sales of goods which are relevant to the review, i.e. sales of goods imported from Vietnam. Since the verification team was prevented from identifying the suppliers of the goods listed in Aus Star's sales listing it is considered to contain a material volume of sales that are not relevant to the review.

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The findings on profitability, arms length and export price at Chapter 6, which in part rely on an importer's Australian sales listing, will therefore be based on the available information. In the current circumstance this may include data that would ordinarily be excluded on account of it not being relevant.

3.1 Sales completeness and relevance finding

The verification team was unable to be satisfied that the sales listing provided at Part C of Aus Star's RIQ represents a complete and relevant listing of its sales of the goods imported from Vietnam.

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.

The verification team verified accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process, however as previously discussed in Chapter 3 it could not be determined whether the goods in the transactions sampled were actually sourced from Vietnam by Aus Star. 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 Aus Star is accurate.

5 VERIFICATION OF IMPORTS

5.1 Import listing

Aus Star provided an extract from its accounting system of its imports of the goods from Vietnam for the review period. It confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the investigation period.

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 twelve shipments for Aus Star to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, Aus Star provided the following source documents:

- Logistics invoices;
- Customs entry form;
- Commercial invoice from supplier;
- Bill of lading;
- Certificate of origin;
- Remittance advice; and
- Bank statements.

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 per invoice by freight forwarder, allocated to goods based on weight.
Marine insurance	Based on the actual marine insurance premium cost, allocated to goods based on weight.
Duties	Based on the actual duties per invoice by freight forwarder, allocated to the goods based on weight.
Customs fees	Based on the actual customs fees per invoice by freight forwarder, allocated to the goods based on weight.
Importation costs ¹	Based on the actual costs per invoice by freight forwarder, allocated to the goods based on weight.
Delivery	Based on the actual costs per invoice by freight forwarder, allocated to the goods based on weight.

¹ including loading, terminal, timeslot, wharfage, processing and documentation fees

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Cost Area	Method applied
SG&A	Based on the relevant sales to total sales as percentage of 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. 2016/30.

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**.

5.5 Forward orders

Aus Star provided a listing of its current forward orders at **Confidential Appendix 2**.

5.6 CTIS verification finding

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

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

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

- named on the commercial invoice from its supplier;
- 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 port.

6.2 The exporter

The goods were imported to Australia by Aus Star. Aus Star purchases the goods from a non-related party. This party is related to Vietnamese manufacturer, East Asia Aluminium Company Limited (EAA), and acts as an intermediary in the sales of the goods from EAA to Australia. The verification team considers EAA to be the exporter of the goods², as EAA is:

- named on the commercial invoice and packing lists;
- named as consignor on the bill of lading; and
- gave up responsibility by knowingly placing the goods in the hands of Aus Star's nominated freight forwarder to export the goods to Australia.

6.3 Profitability of imports

The verification team assessed the profitability for the following shipments at Table 3 by comparing the revenue and CTIS for each shipment. Since the goods in each selected shipment could not be traced to specific sales transactions the assessment of profit was based on a broader observation of price. Calculation of the potential revenue earned in relation to the goods in each of the shipments involved the following approach;

- identifying the weighted average unit selling price of the goods by finish MCC sub-category, as reported by Aus Star in its Australian sales listing at Part C of its REQ, relevant to the quarter in which the shipment landed at the port of arrival in Australia;
- multiplying the weighted average selling price by the quantity of goods relevant to the finish type(s) (in kilograms) imported in each shipment (as reported by Aus Star's exporter from Vietnam).

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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The outcome of the profitability assessment is outlined in Table 3 below.

Shipment	Profitable (Y/N?)
1	Y
2	N
3	N
4	N
5	N
6	N
7	Y
8	N
9	N
10	N
11	N
12	N
Weighted average all shipments	N

Table 3 Import sample profit assessment

As shown in Table 3 above, only two of the shipments sampled for verification were found to generate a profit. Overall, the revenue earned (based on the approach outlined earlier in this section) on the goods in the shipments was not sufficient to recover the CTIS.

The losses on the above shipments however was observed to be marginal so it is reasonable that a more precise methodology, being one that is not limited by the factors confronted in this verification, could indicate otherwise. Due to the issues relating to the preparation of Aus Star's Australian sales listing at Part C, an alternate analysis of profit in relation to all sales of goods from Vietnam is not considered appropriate or even possible.

Aus Star has contested the verification team's methodology to calculating the profitability of its imports, by claiming that:

- it did not account for the price of goods relevant to each shipment's port of arrival, arguing that goods which arrived in a certain location would only be sold in that location;
- the costs used in the calculation should not be based on the shipment volume and should be based on the actual sales volume; and.
- selling prices did not reflect the timing of the shipment.

Aus Star also provided two further alternative methodologies in addition to the verification team's calculations. Aus Star's alternative methods both produced a profit margin. To accept the approach in either method however requires setting aside the finding where Aus Star informed the verification team that it could not reliably trace the goods in each shipment to any specific movement of inventory to customers.

Further, in Part B of its RIQ, despite arguing that the verification team's approach did not take into account the selling prices relevant to the date of importation,

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annotations regarding invoices dates in Part B indicated the goods were not necessarily sold in the same month of arrival.

Due to the findings outlined in Chapter 3, the verification team's approach to assessing the profitability of Aus Star's shipments has been constrained to a less precise method in so far that sales of goods which may not be relevant have unavoidably been included.

With the exception of the issue regarding timing, the verification team could not fully address Aus Star's concerns on account of the following observations made in relation to its Australian sales listing at Part C of its RIQ;

- goods in the selected shipments were not necessarily sold to customers located in the same city as the port of arrival;
- goods in the selected shipments were not necessarily sold in the quarter in which they arrived; and
- the design of Aus Star's accounting system prevented identifying the price and sale date of the goods in each selected shipment.

The available information regarding Aus Star's Australian sales was sufficient to permit the profitability assessment of its shipments, however it was undertaken within the context of the various limitations outlined above and the finding at section 3.1 regarding the relevance of the transactions reported in Aus Star's Australian sales listing.

Recoverability

Further consideration and analysis was conducted to assess whether the losses could be recovered within a reasonable time, being 12 months. After having regard to the price paid by the importer, and other related importation and selling costs, the verification team found that it is likely these costs will be able to be recovered within a reasonable period of time.

Aus Star claimed that subject to its contention regarding the calculation of profitability of imports, any losses on its sales were primarily due to exchange rate depreciation. The verification team considers that losses on foreign exchange could well be a contributing factor however to what extent has not been examined or has it been calculated in Aus Star's submission.

Whilst the recoverability test relates only to the sales of the subject goods, the verification team did find through an examination of Aus Star 2019 financial year tax records and a profit and loss statement relevant to the review period that the company was profitable overall. Given the marginal losses calculated in relation to the shipments at Table 3 the verification considers it is reasonable that those losses could well be recovered within a reasonable period.

The assessment is at **Confidential Appendix 3**.

Aus Star's claims relating to the assessment is at **Confidential Attachment 2**.

6.4 Related party suppliers

The verification team did not find any evidence that Aus Star is related to its supplier of the goods exported from Vietnam during the investigation period.

6.5 Arms length

In respect of imports of the goods to Australia by Aus Star 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.

The final test to assess if transactions are arms length has regard to whether the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit in respect of the whole or a part of the price. It is the Commission's practice as per chapter 5 of the *Dumping and Subsidy Manual* (the Manual) to treat sales at a loss as indicating that the importer (or associate) will, directly or indirectly, be reimbursed, compensated or otherwise receive a benefit in respect of the whole or a part of the price.³

As Aus Star's sales of the goods have been found to be sold at a loss, the verification team has considered if this indicates that the transactions are not arms length.

In having regard to the available information, the verification team notes that the Commission has completed its verification of Aus Star's supplier, EAA, and has found that there was no evidence that EAA directly or indirectly reimbursed, compensated or otherwise conferred a benefit to Aus Star for the sale of the goods.⁴

The verification team considers that in light of the findings of EAA's verification, the sales between EAA and Aus Star are likely arms length.

³ The Manual, page 27.

⁴ EPR 544, No. 10.

6.6 Export price assessment

The verification team is of the opinion that, for the goods imported by Aus Star from EAA, the goods have been exported to Australia otherwise than by the importer. However, the verification team considers that the goods have not been purchased from the exporter.

Subject to further inquiries in relation to these shipments, the verification team recommends that the export price for the goods imported by Aus Star from EAA be established under section 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation. Specifically, the verification team recommends that export price be established using the price paid by Aus Star to EAA's intermediary, less transport and other costs arising after exportation.

7 ATTACHMENTS

Confidential Appendix 1	FOB Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of imports
Confidential Attachment 1	Verification Work Program
Confidential Attachment 2	Comments on draft verification report