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Response to initiation of Review 205

This submission is made on behalf of Capral Ltd, a member of the Australian industry, in relation to Accelerated Review 205 of certain aluminium extrusions exported from China by Guangdong Jinxiecheng Al. Manufacturing Co., Ltd. (Guangdong Jinxiecheng). We refer specifically to the primary aluminium benchmark to be used in the case.

We note ACDN No. 2013/16 states that given the nature of an accelerated review Customs will not be reconsidering “whether or not London Metal Exchange (LME) prices are indicative of what would be competitive market costs for primary aluminium, as specified in Trade Measures Report 148, section 6.1.3.”

We agree that LME prices are ‘indicative’ of competitive market costs, however, as Capral has stated in meetings with Customs during the original investigation and two subsequent reviews of aluminium extrusions (Reviews 186 and 194), the LME is a trading house, and the LME price alone is not available in any market as a cost of primary aluminium in physical form.

In all competitive markets around the world, purchasers of physical aluminium must pay a premium on top of the LME price. Clear evidence of this is contained in two recently published documents:

- Platts Metals Week’s methodology and specifications guide (Platts Guide) – Attachment A, and
- HARBOR Aluminium Intelligence Unit’s global outlook for aluminium premiums (Outlook Report) – Attachment B.

The premium used in Australia is the CIF Japan Forward Quarter Premium, referred to in the industry as the Major Japanese Ports premium (MJP), which comes from the terms of the premium being CIF Osaka, Nagoya, Yokohama ports (ie major Japanese ports). The full terms are outlined in the Platts Guide.¹

The current amount of the MJP is shown in the primary billet price schedule produced by one of Australia's aluminium suppliers for February 2013, which is at Attachment C (CONFIDENTIAL).²

The Outlook Report analyses global spot premiums. The MJP is currently within the range of the Japan aluminium ingot spot premium shown in the Outlook Report.³ There are a number of other regional premiums as described in the Platts Guide and analysed in the Outlook Report.

We understand that in the original investigation the benchmark for primary aluminium incorporated the LME price plus the actual 'premiums' payed by the Chinese exporters investigated. These 'premiums' appear to be characterised by Customs as trader premiums.⁴

We note the exporter questionnaire sent to Guangdong Jinxiecheng on 8 February 2013 does contain a question concerning premiums:

Identify the value and type of any premiums incurred on primary aluminium costs which may include hot metal, T-bar, billet or ingot premiums (i.e. C&F China LME premium or CIF Japan premium).⁵

We submit that in order for industry to better understand the purchase price of primary aluminium in China, Customs should seek from Guangdong Jinxiecheng an explanation, with supporting evidence, of:

- how the purchase price for primary aluminium is negotiated with suppliers (differentiating between domestic purchases and imports), and
- what are the components of the purchase price from each supplier.

Regardless of what Guangdong Jinxiecheng actually pays for its primary aluminium, we note that, consistent with previous decisions, Customs is likely to find that it is not a competitive market cost as required by r.180(2)(b)(ii) of the Customs Regulations. If Customs' approach is to substitute the non-competitive market cost of primary aluminium in China with a cost that is representative of one that could be found in a competitive market, then the benchmark cost must include a suitable competitive market premium.

¹ Platts Guide, p.3

² The MJP is highlighted yellow

³ Outlook Report, p.1

⁴ REP 148, 7.4.1 at p.58

⁵ Guangdong Jinxiecheng Exporter Questionnaire, G-8 at p.36

We submit that a suitable benchmark premium would be the MJP, as it is used in major markets in the region including Japan and Australia.

It is important to note that the MJP is at CIF (cost, insurance and freight). Therefore the cost of delivery to the manufacturer's premises must be added.

It is also important to note that the MJP is an ingot premium. The Australian industry generally purchases aluminium in billet form and pays additional premiums over and above the MJP as follows:

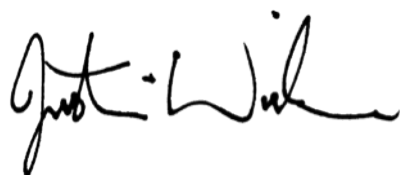
- Base product premium—for standard grade billets delivered to premises
- Alloy upcharge—additional charge for higher grade alloys, and
- Diameter upcharge—additional charge for larger diameter billets.

These premiums are shown in the primary billet price schedule at Confidential Attachment C. The Outlook Report also highlights that 'full billet premiums' are significantly higher than base ingot premiums.

We understand that some manufacturers in China purchase aluminium ingot and cast their own billets. However, to the extent that Chinese extruders purchase aluminium billet, Customs must be mindful of the need to include an additional billet premium. Capral can provide further information on billet premiums if required.

Conclusion

We submit that the competitive market benchmark cost for purchasing primary aluminium in physical form should be the LME price plus a suitable premium (such as the MJP), plus a billet premium (where applicable), plus delivery to the manufacturer.



Justin Wickes
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