



20 November 2013

The Director
Operations 2
Anti-Dumping Commission
5 Constitution Avenue
CANBERRA ACT 2601

Review 229: Market Situation

This submission is made on behalf of Capral Ltd, a member of the Australian aluminium extrusions industry, in relation to Review 229 of certain aluminium extrusions exported to Australia from China by Alnan Aluminium Co Ltd (Alnan). We specifically refer to Alnan's domestic sales of like goods, and submit that Alnan's domestic selling prices are not suitable for the purposes of establishing normal value.

In the original aluminium extrusions investigation (Investigation 148) Customs ultimately determined that Chinese domestic selling prices were suitable for use under s.269TAC(1) of the *Customs Act 1901* (the Act). However, in the more recent aluminium roads wheels (ARWs) investigation (Investigation 181) Customs found that domestic selling prices were not suitable due to the influence of the Government of China (GOC) on the aluminium industry in China. Customs determined that "this influence has resulted in significantly different ARW prices to what would have been the case if the relevant markets operated without significant GOC intervention".¹

We submit that the market situation finding in the ARWs case applies equally to sales of aluminium extrusions in China by Alnan and all other producers of extrusions in China, on the basis that:

- the Anti-Dumping Commission's understanding of the aluminium industry in China has clearly evolved since Investigation 148, and
- the factors underpinning the finding in the ARWs case relate almost exclusively to the Chinese aluminium industry and therefore affect the production of aluminium extrusions equally, if not more, due to the high proportion that primary aluminium represents in the cost of extrusions.

¹ Customs Statement of Essential Facts No. 181, p.40 at 3.4

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In investigation 148, Customs only examined four factors considered relevant to its market situation assessment for aluminium extrusions:

- GOC subsidy for the major raw material (aluminium)
- GOC regulations for market-entry and production efficiency
- GOC taxes and tariffs, and
- GOC purchases of aluminium.

Customs found that “the only significant distortions in the sector relate to the prices of primary aluminium and this issue has been addressed by the substitution of benchmark aluminium prices that reasonably reflect competitive market costs.”²

In the ARWs investigation Customs examined a much broader range of factors relevant to the Chinese aluminium sector in its market situation assessment:

- Broad GOC macroeconomic policies, including
 - *Guidelines for Accelerating the Restructure of the Aluminium Industry*
 - national and regional five-year plans/guidelines
- GOC implementing measures, including
 - measures to eliminate backwards production capacity and to encourage technical and environmental improvement
 - market entry criteria and industry operating conditions
 - measures to curb production capacity redundancy
 - taxes and tariffs
 - subsidies in the aluminium industry
 - direct intervention in the primary aluminium market, and
 - *Price Law of the People’s Republic of China*

In assessing whether a market situation existed in the Chinese ARW market, Customs focussed particularly on the impact of the various GOC macroeconomic policies and plans, and their implementing measures, on the cost of inputs to the manufacture of ARWs. Customs found that the GOC’s actions directly impacted the price of aluminium in China, causing prices to be lower than they would be without the intervention of the government. Customs noted that the price of ARWs is determined by the price of aluminium and as a result concluded that domestic prices of ARWs are lower than they otherwise would be without the intervention of the GOC.³

Aluminium extrusions prices are similarly determined by the price of aluminium. This fact was noted by Customs in the original investigation⁴ and by Wuxi Xisha Photoelectric Aluminium Products Co Ltd in its exporter questionnaire response in the first review of measures on aluminium extrusions (Review 186).⁵ It is therefore reasonable to conclude that Chinese domestic prices of aluminium extrusions are lower than they otherwise would be without GOC intervention.

² Customs Report No. 148, p.36 at 6.3.4

³ SEF 181, p.39 at 3.2.1

⁴ Customs Report No. 148, p.33 at 6.3.1

⁵ Wuxi Xisha Photoelectric Aluminium Products Co Ltd REQ at Question B-1(e)

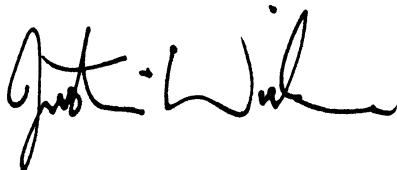
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In the ARWs investigation Customs also examined the likely impact of GOC influences on the determinants of supply of ARWs. Customs considered that it is likely there has been a change in supply in ARWs and a consequent impact on ARW prices, brought about in a significant part by the GOC influence on the aluminium industry. Customs found that direct intervention by the GOC in the form of subsidies, taxes, tariffs, export licences and other measures related mainly to the production of primary aluminium increased supply by decreasing the costs of production. As a result, ARW prices were lower than what would have been the case if the relevant markets operated without GOC intervention.⁶

Customs found the distortions caused by the GOC in the Chinese aluminium market flowed through to prices of ARWs and affected them to a significant degree. Aluminium makes up around 48% of the cost to produce ARWs.⁷ It is clear that these same distortions must affect the price of aluminium extrusions to an equal or greater degree given that primary aluminium represents approximately 60% of the cost to produce extrusions.

The market situation finding in relation to ARWs was also upheld by the Trade Measures Review Officer (TMRO) on appeal. The TMRO was “satisfied that there was sufficient evidence to support Customs' finding that there was a 'situation in the market' such that domestic prices of ARWs in China were unsuitable for the purpose of determining a normal value”.⁸

We therefore submit, in accordance with s.269TAC(2)(a)(ii) of the Act, that the situation in the Chinese domestic market for aluminium extrusions is such that domestic selling prices are not suitable for use in determining normal value.



Justin Wickes
Director

⁶ SEF 181, pp.39-40 at 3.3.1 to 3.3.3

⁷ Arrowcrest Pty Ltd Visit Report November 2011, p.20 at 9.3.1

⁸ TMRO Report *Aluminium Road Wheels: Review of decisions to publish a dumping duty notice and a countervailing duty notice*, p.27 at 108