

Exporter Briefing – Taishan City Kam Kui Aluminium Extrusion Co., Ltd

Introduction

Taishan City Kam Kui Aluminium Extrusion Co., Ltd (“Kam Kui”) is located in the Shiqiao Industrial Zone, Dajiang County, Taishan City, Guangdong. Kam Kui was involved as exporter in the original investigation (No. 148) and in the subsequent circumvention inquiry (No. 241). Kam Kui was also involved in Review Investigation No. 248, which it made an application to the Anti-Dumping Review Panel (“ADRP”) for a review of the Parliamentary Secretary’s decision to apply dumping measures at the 2 per cent of export price margin. Following the ADRP appeal, the measures applied to Kam Kui were re-calculated (due to identified errors) at 20.1 per cent. The applicable subsidy margin for Kam Kui was similarly revised to 2.1 per cent.

Normal value determination

As the Anti-Dumping Commission (“the Commission”) has determined a market situation applies in China for aluminium extrusions, normal values have been determined on the basis of a constructed methodology in accordance with subsection 269TAC(2)(c) of the *Customs Act*, and sections 43, 44 and 45 of the *Regulations*.

Subsection 43(2) of the *Regulations* require that if:

- An exporter or producer keeps records relating to like goods that are in accordance with generally accepted accounting principles (GAAP) in the country of export; and
- Those records reasonably reflect competitive market costs associated with the production or manufacture of like goods;

the Parliamentary Secretary must work out the cost of production or manufacture using information set out in the exporter or producer’s records.

In Report No. 248, the Commission concluded that primary aluminium costs in China were distorted and this was considered to have a significant impact on the selling price of aluminium extrusions (and a market situation in respect of aluminium extrusions thus applied).

The Commission is not revisiting the market situation finding in relation to Review Investigation No. 392. Rather, the review encompasses a review of each of the applicable variable factors only.

In this regard, the Commission will again utilise the production costs of the exporter (i.e. Kam Kui) as per the exporter’s records and applied a replacement cost for primary aluminium. The appropriate benchmark for a primary aluminium selling price is that derived from LME prices, that includes the addition of regional premiums and other costs.

Capral Limited (“Capral”) highlights that the replacement cost for purchased aluminium must reflect the sum of:

- Aluminium at the prevailing London Metal Exchange (“LME”) cash rate for the period; plus
- Billet premiums; plus
- Major Japanese Port (“MJP”) premium that is applicable to all aluminium purchases in South East Asia, including Chinese manufacturers.

The aluminium purchase price for Kam Kui should, as a minimum reflect the sum of these costs.

Capral would also highlight with the Commission that the exporter’s costs should confirm that packaging costs for export are higher than domestic packaging costs, including for steel trolleys, wooden crates and inter-leave paper. It is noted in Kam Kui’s EQR that it claims “There is no such difference” between domestic and export packaging costs. The Commission is encouraged to thoroughly test this assertion.

Company information

Kam Kui has been the subject of the same ownership since 1993. The company has an immediate parent company in Kam Kui Aluminium Products Group Limited (Hong Kong), which is owned by Kam Kui International Holdings Limited (B.V.I.).

It is understood that Kam Kui also trades under the name "Taishan Jinqiao Aluminium Profile Factory Co., Ltd". The Commission is encouraged to investigate whether any sales are made through this trading entity.

Kam Kui had a turnover of RMB xxxxx in the 2015 year. Kam Kui employs approximately xxx employees.

Subsidies

Kam Kui has received a number of "Honours" from the Government of China. It is not clear whether these awards are additional to those Grants programs referred to at Section 12.4 of Kam Kui's exporter verification report in Review Investigation 248. It was identified in Review Investigation 248 that Kam Kui received benefits under the following programs:

- Program 13 – Tariff and VAT exemptions on imported materials and equipment; and
- Program 15 – aluminium provided by the government at less than adequate remuneration.

Additionally, the Commission also identified that Kam Kui had received the benefit of a tax offset for Research & Development (R&D) based upon Article 30 of Enterprise Income Tax Law of China (identified at program 48 in current review). This offset is an annual payment received by Kam Kui and would therefore apply in the review investigation period.

Kam Kui also received a reduced corporate tax rate at 15 per cent in Review Investigation No. 248. This benefit (now referred to as Program 47 in Investigation 392) was due to the company's eligibility as a "high and new technology enterprise" under Article 28 of the Enterprise Income Tax Law of China. As Kam Kui's profit in the 2015 year increased on the earlier year, the benefit received under this program will be greater than that identified by the Commission in Review Investigation 248.

Capral has no reason to believe that Kam Kui would not have received similar benefits for R&D offsets (Program 48) and reduced corporate rates of tax in the 2016 investigation period.

Capral is aware that the Commission has identified in the conduct of Investigation No 341 a broad range of additional subsidies not previously identified in earlier investigations that are made available by the Government of China to Chinese manufacturers. Capral requests that the Commission have regard to these additional subsidy programs in the conduct of its verification visit with Kam Kui.