

Exporter Briefing – Guang Ya Aluminium Industries Co., Ltd

Introduction

Guang Ya Aluminium Industries Co., Ltd (“Guang Ya”) is a privately owned Chinese manufacturer of aluminium extrusions.

Guang Ya EQR

Guang Ya produces and sells aluminium extrusions domestically in China and for export. Guang Ya is located at the Nanhai District, Foshan City, Guangdong province.

Guang Ya indicates that it sells aluminium extrusions on the domestic market through distributors and direct to end-users. Guang Ya’s exports to Australia are to a distributor. Guang Ya has sought a level of trade adjustment for level of trade however its states that “it is not easy to quantify this difference”. The Commission can contrast domestic sales via distributors with export sales to Australia via distributor. It may be necessary, however, to consider quantity purchases to determine whether selling prices are comparable.

Capral Limited (“Capral”) notes that Guang Ya indicates there is no difference in packing costs between domestic and export markets. Investigation No. 362 confirms that packaging costs for export are higher than domestic packaging costs. It is requested that the Commission fully substantiate Guang Ya’s packaging costs for sales across both domestic and export markets.

It would appear from Guang Ya’s EQR that it has received grants from the Government of China (“GOC”) as it has included a statement that the disclosure of the grants received is commercially sensitive information. Capral challenges the confidentiality of the claimed redactions and requests the Commission to require Guang Ya to disclose this non-confidential information.

Program 15 – aluminium at less than adequate remuneration

The Commission has recently released the report “Analysis of Steel and Aluminium Markets – Report to the Commissioner of the Anti-Dumping Commission (August 2016)”. The Commission’s research confirmed the following in respect of aluminium prices in China:

“The Commission has found evidence that the Chinese Government continues to play a significant role in the Chinese aluminium industry. The Commission considers that this intervention has significantly contributed to overcapacity and large stockpiles in the Chinese and global aluminium markets¹.”

The Commission further observed that:

“primary and alloyed aluminium is a major cost component in fabricated aluminium.....The Commission considers that lower prices for these inputs would either reduce the price of manufactured aluminium products (to the extent these lower costs are passed on) or increase the profitability of these products (which would provide an incentive for increased production.

As in the steel industry, the Commission found evidence of subsidies provided to the aluminium and extrusions sectors that would likely reduce the costs of inputs to their production, such as electricity. There was also evidence that the Chinese Government imposes export taxes on primary aluminium in order to increase its supply to the to the domestic market and encourage aluminium manufacturing, in particular of value-added products.”

Aluminium extrusions the subject of Review Investigation No. 392 is one of those value-added products. It is evident that the Government of China (“GOC”) artificially creates (via export taxes on

¹ Analysis of Steel and Aluminium Markets – Report to the Commissioner of the Anti-Dumping Commission, August 2016, P.54.

primary aluminium and higher VAT refunds for value-added goods) low domestic prices for primary aluminium.

The purchase of aluminium ingots from non-SOE suppliers in China is equally depressed (and suppressed) by GOC policies as prices from SOEs. Whether the aluminium ingot supplier in China is a non-SOE or otherwise does not exclude the purchaser from receiving a benefit in its primary aluminium purchases at less than adequate remuneration.

Benchmark

The Anti-Dumping Commission (“the Commission”) has determined (refer Reports 248 and 287) that a market situation applies in China for aluminium extrusions. As a result, normal values were 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*. The Commission continues to be of the view that a market situation for aluminium extrusions applies in China.

Subsection 43(2) of the Regulations requires 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 utilise Guang Ya’s production costs as per the producer’s records and apply 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 refers the Commission to the make-up of an appropriate replacement cost for purchased aluminium that 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 Guang Ya should, as a minimum, reflect the sum of these costs.