

25 May 2018

Mr Tim King
Investigations 3
Anti-Dumping Commission
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Public File

Dear Mr King

Investigation No. 442 – Aluminium Extrusions exported from P R China and Thailand – Exporter Verification Report - Guangdong Zhongya Aluminium Co., Ltd and Zhongya Shaped Aluminium (HK) Holding Limited

I. Exporter Report

I refer to the recently published Exporter Verification Report Guangdong Zhongya Aluminium Co., Ltd (“Zhongya Aluminium”) and Zhongya Shaped Aluminium (HK) Holding Limited (“Zhongya HK”).

Capral Limited (“Capral”) notes that the Anti-Dumping Commission (“the Commission”) has concluded that in relation to the goods exported to Australia by Zhongya Aluminium¹:

- It manufactures the goods exported to Australia;
- Is located in the country of export where the goods were shipped;
- Knowingly placed the goods in the hands of the carrier, courier or forwarding company for delivery to Australia; and
- Whilst Zhongya HK is significantly involved in the transaction process, it is essentially acting as a facilitator or agent for Zhongya Aluminium in the sale and shipment of the goods.

In its examination of the export documents provided by Zhongya Aluminium, the Commission concluded that:

- The Australian customers are named on supplier invoices from the selling agent, Zhongya HK;
- The Australian customers are named as the consignees on the bills of lading; and
- The Australian customers made payment for the goods to Zhongya HK.

The Commission’s verification then focused on the arms’ length nature of the transactions between Zhongya Aluminium and the Australian importer Darley Aluminium Pty Ltd. This follows Capral’s representations (refer submission dated 24 October 2017, Document 006, EPR) that the Australian importer Darley Aluminium Pty Ltd (“Darley”) is affiliated with the Chinese exporter’s agent (that is related to the Chinese manufacturer) of the aluminium extrusions produced and exported to Australia. The

¹ Guangdong Zhongya Aluminium Co., Ltd Exporter Verification Report, P. 7.

affiliation is due to the common ownership by Shun E Kuang in Darley Aluminium Trading and in Zhongya HK (30 per cent).

It is Capral's contention that the relationship identified between Zhongya HK and Darley impacts the export price for the goods exported to Australia.

Capral made further representations by submission dated 4 May 2018 confirming the US Administration's position that Zhongya Aluminium and Zhongya HK were affiliated companies and that the relationship impacted the export price to the U.S. importer.

In response to the allegations by Capral, the Commission has commented following its verification visit with Zhongya Aluminium as follows²:

"The verification team considered the allegations made by Capral and assessed the evidence regarding the price that Darley Trading paid for the goods in comparison to other Australian customers.

The consideration paid for in respect of the goods appears to be the market price. There is no evidence that any relationship between the buyer, or an associate of the buyer, and seller, or an associate of the seller, influenced the price paid for the goods. The verification team assessed the nature of the buyer-seller relationship between Darley Trading and Zhongya HK, as well as the position of an individual in both company structures and found no evidence that any of these relationships influenced the price of the goods.

The verification team therefore considers that all export sales to Australia made by Zhongya Aluminium during the inquiry period were at arms-length prices.

Capral is not surprised by the Commission's finding. The concern for Capral is that Zhongya Aluminium's export prices are consistent with the final selling prices in the Australian market. It is Capral's contention that Darley's selling prices in the market do not reflect the export price(s) plus costs incurred to the point of sale in Australia, as declared in export documents provided by Zhongya Aluminium.

Additionally, the Commission has access to information from a number of cooperating exporters of aluminium extrusions to Australia via Review Investigation No. 392. The investigation period in Review Investigation 392 overlaps the investigation period in this inquiry. The Commission has verified export price information from cooperative Chinese exporters for aluminium extrusions exported to Australia that it can readily compare and contrast with the export prices of Zhongya Aluminium during the investigation period (particularly during the quarters in the investigation periods that overlap). In contrasting Zhongya Aluminium's export prices with those of other Chinese exporter's of the goods, the Commission can then be satisfied as to whether Zhongya Aluminium's export prices may be correctly considered as "arms length" and whether the Commission has evidence before it to re-consider its position as detailed in the Zhongya Aluminium exporter verification report.

Capral urges the Commission to examine Darley's selling prices across its customer base in Australia and link these prices back to the actual, declared export prices for Zhongya Aluminium.

II. Adjustments

Capral notes the Commission has granted Zhongya Aluminium the following adjustments:

- An upwards adjustment for export packaging;
- An upwards adjustment for the cost of export commissions/processing and banking fees; and
- An upwards adjustment for the non-refundable VAT amount of 4 per cent.

Capral anticipates that the Commission has identified the additional costs associated with export packaging that are not included in selling the goods domestically – most notably, the cost of stillages and additional paper/plastic wrapping.

² Ibid, P.8.

In respect of the “export commissions/processing and banking fees” the Zhongya Aluminium exporter verification report is light in detail, except for indicating that “*Zhongya Aluminium incurs commissions and/or processing fees on certain export transactions*”. Capral interprets this to reflect the role of Zhongya HK in the export transactions to Australia. The costs associated with Zhongya HK’s role would likely include:

- A selling commission;
- Selling and administration costs associated with operating the Zhongya HK office; and
- Banking fees associated with the receipt of revenues on export sales to Australia.

Capral requests that the Commission examine that the adjustments are not understated and reflect realistic costs associated with the performance of each cost identified.

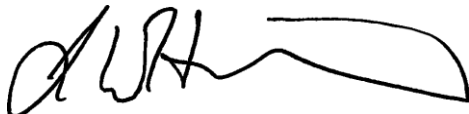
III. Closing comments

Capral is seeking the Commission to fully investigate:

- The relationship between Zhongya HK and Darley as evidenced through the role of a common shareholder and director, does not influence the export price for goods sold to the importer Darley in Australia;
- To further test the reliability of the verified export prices by conducting deductive export price calculations based upon Darley’s selling prices in the Australian market (to validate declared export prices by Zhongya Aluminium); and
- Ensure that all costs associated with the role of Zhongya HK as the selling agent for Zhongya Aluminium manufactured goods are reflected in adjustments to Zhongya Aluminium’s normal value.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 8222 0113 or Capral’s representative Mr John O’Connor on (07) 3342 1921.

Yours sincerely



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