



Review of Measures 609

Aluminium Extrusions exported to Australia from China

File note

The Anti-Dumping Commission (**commission**) conducted a comparative assessment of the response to the exporter questionnaire (**REQ**) by Tai Shan Kam Kiu Aluminium Extrusions Co., Ltd (**Kam Kiu**) concerning aluminium extrusions (**the goods**).¹

The assessment involved targeted procedures informed by risk and consistent with Anti-Dumping Notice 2016/030, to satisfy the commission of the accuracy, relevance and completeness of the data provided. This included comparing the information in Kam Kiu's REQ to verified information provided by other selected exporters in this review and information relating to Kam Kiu from Continuation Inquiry 543 (**case 543**).

This file note details the evidence gathered and the key findings from the assessment of the data, including explanations of any material issues identified. This file note has been prepared for publication on the electronic public record for Review of Measures 609.

¹ EPR 609, Item 15

TAI SHAN KAM KIU ALUMINIUM EXTRUSIONS CO.,LTD

1 Company background

1.1 Corporate structure and ownership

Kam Kiu is the producer of various kinds of aluminium extrusions (including goods under consideration (**GUC**) and non-GUC) and other products, including processed products of aluminium used in building and architecture, auto parts, power generation systems, project references and high-end precision electronics. Kam Kiu's markets include the Chinese domestic market, Australia and third countries.

Three related companies were engaged in the production and sale of goods to Australia during review period:

- Kam Kiu
- Kam Kiu (Hong Kong) Limited (**KHK**)
- Kam Kiu (Australia) Pty Ltd (**KAU**).

2 Goods under consideration and like goods

2.1 Production process

The manufacturing process for Kam Kiu is as follows:

- Kam Kiu primarily purchases aluminium ingot, and a small amount of aluminium billet, which is considered a semi-finished product
- aluminium ingot and other materials are transferred from raw material inventories to the casting workshop to form aluminium billet
- aluminium billet is transferred from the billet inventory to the extrusion workshop, where the billet is squeezed through an extruding die to produce a mill finished profile
- all mill finished extruded profiles are cut to size depending on customer requirements
- mill finished profiles were sold as finished product, or transferred into other workshops for further processing, such as polishing, anodizing, fluorocarbon painting and powder coating
- finished goods are shipped direct to customers, though some are picked up (ex-works).

There is no difference in the manufacturing process for aluminium extrusions produced for the domestic or export market. However, the team identified differences in packaging for goods bound for domestic and export markets.

2.2 Model control codes

The sales and costs data Kam Kiu submitted complies with the model control code (**MCC**) structure detailed in ADN 2022/081.

2.2.1 Amendments to model control codes

Kam Kiu provided sales data according to the MCC structure with expanded finish, alloy, and temper level categorisations. Kam Kiu's cost accounting system, however, only captures costs at a finish level based on internal product codes.

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The team considered whether the internal product codes could be tracked to an MCC. However, on analysis of the data it was apparent that an MCC may apply to multiple internal product codes, and further that significant variances in pricing and costs could exist for the internal product code within that MCC.

The team considers it appropriate to use the internal product codes for the purpose determining a dumping margin, as this is the best available information because the product codes are more granular and therefore a more accurate reflection of costs than a weighted average cost at the finish level. The team notes this methodology is consistent with previous investigations and reviews in respect of Kam Kiu, including Case 543.

Exception 1: Change to the MCC

Description: The team identified the MCC structure is not the most appropriate framework for comparing domestic and export sales and therefore determining a dumping margin.

Resolution: As a result of analysing Kam Kiu's data and consistent with previous cases, the team determined that internal product code type is a more appropriate framework for comparing domestic and export sales and therefore determining a dumping margin.

2.2.2 List of model control codes

Kam Kiu reported producing and selling the following MCCs in the review period:

Australian sales	Australian CTM	Domestic sales	Domestic CTM
A-6A-T1-1	N/A	A-6A-O-1	N/A
A-6A-T1-2		A-6A-T1-1	
A-6A-T50-1		A-6A-T1-2	
A-6B-T1-1		A-6C-T1-1	
A-O-T1-1		A-6C-T1-2	
BD-O-O-0		A-O-T1-1	
BD-O-T1-0		A-O-T1-2	
M-6A-O-0		BD-6A-O-0	
M-6A-T1-0		BD-O-T1-0	
M-6A-T50-0		M-6A-O-0	
M-6B-T1-0		M-6A-T1-0	
M-6C-T1-0		M-6A-T50-0	
M-6D-T1-0		M-6B-T1-0	
M-O-O-0		M-6C-O-0	
M-O-T1-0		M-6C-T1-0	
PC-6A-T1-0		M-6D-T1-0	
PC-6A-T50-0		M-O-O-0	
PC-6B-T1-0		M-O-T1-0	
PC-6C-T1-0		M-O-T50-0	
PC-O-O-0		PC-6A-O-0	
PC-O-T1-0		PC-6A-T1-0	
A-6A-T1-1		WP-6A-O-0	
A-6A-T1-2		WP-6A-T1-0	
		WP-6C-T1-0	

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Table 1 List of MCCs produced or sold

Kam Kiu reported producing and selling the following internal product codes in the review period:

Australian Sales	Australian CTM	Domestic Sales	Domestic CTM
105	105	105	105
107	107	106	106
108	108	107	107
109	109	108	108
110	110	109	109
111	111	110	110
113	113	111	111
115	115	112	112
116	116	113	113
121	121	115	115
123	123	116	116
124	124	120	120
		121	121
		122	122
		123	123
		124	124
		128	128
		206	206
		207	207
		208	208
		213	213
		216	216
		221	221
		226	226

Table 2 List of internal product codes produced or sold

2.3 Like goods assessment

The team considers that goods Kam Kiu produced and sold for domestic home consumption had characteristics closely resembling those of the Australian export goods and were therefore 'like goods' according to section 269T(1) of the *Customs Act 1901* (Cth) (**the Act**).²

3 Sales

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to management accounts and then audited

² All legal citations in this report are to the Act unless otherwise stated.

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financial accounts. ADN 2016/30 further describes this process. In reviewing Kam Kiu's sales data, the team identified the issue outlined below. The team detailed this process in the work program and its relevant attachments in **confidential attachment 1**.

Exception 2: Non-GUC included in Australian sales listing

Description: Some non-GUC were incorrectly reported as GUC in the Australian sales listing.

Resolution: Kam Kiu resubmitted a revised Australian sales listing including only GUC.

The team is satisfied that the sales data Kam Kiu submitted is complete and relevant, including any revision outlined in an exception above.

4 Cost to make and sell

The commission typically identifies cost to make and sell (**CTMS**) as complete and relevant by reconciling the total cost to make (**CTM**) and selling, general and administrative (**SG&A**) expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/030 further describes this process. The team detailed this process in the work program and its relevant attachments in **confidential attachment 1**.

The team is satisfied that the CTMS data Kam Kiu submitted is complete and relevant.

The team has calculated the CTMS at **confidential appendix 2**.

5 Export price

The team determined from information submitted by Kam Kiu for this review that there were no changes to the sales processes and structural relationships concerning Kam Kiu, KHK and KAU from case 543.

The team is satisfied that Australian customers buy the goods manufactured by Kam Kiu from Kam Kiu's affiliated trading entity, KHK. Another affiliated entity, KAU, based in Australia, manages logistics and certain customer service on a commission basis on behalf of KHK for which it receives a commission, paid by KHK.

The team considers Kam Kiu to be the exporter of the Australian export goods³ because Kam Kiu:

- is the manufacturer of the goods and is located in the country of export
- is named as the supplier on the commercial invoice

³ The commission generally identifies the exporter as a principal in transacting the Australian export goods, located in the country of export and either:

- gave up responsibility by knowingly placing the goods in the hands of another company, or its own vehicle, for delivery to Australia
- owned the goods, either at the time the goods were shipped or previously.

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- is named as consignor on the bill of lading.

While KAU is named as the consignee on the bill of lading and importer on the Australian Border Force importation declaration and arranges delivery from the port, the team considers KHK to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods. This is because, consistent with case 543:

- the international commercial terms (i.e., INCOTERMS) between KHK and the Australian customers are delivered duty paid, meaning that KHK is the owner of the goods when the goods are on the water, until they are delivered into the warehouses of the Australian customers
- KHK is named on the commercial invoice from Kam Kiu
- KHK pays for all the importation charges.

5.1 Australian sales arms length assessment

In respect of imports of aluminium extrusions to Australia by KHK during the review period, the team found that based on the affiliated network and close relationships between the three entities, the price was influenced by a commercial or other relationship between KHK, its supplier Kam Kiu and its Australian sales agent KAU.

Kam Kiu submitted a sales listing and source documents showing transactions between itself and KHK and between KHK and its customers. Based on this information the team assessed the profitability of shipments by comparing the revenue to the CTIS for each shipment. As each shipment can be traced to actual sales transactions, the team used the actual revenue for each shipment to assess its profitability.

The team determined that the goods were sold by KHK to its Australian customers at a loss. Therefore, the team considers that the importer will directly or indirectly be reimbursed, be compensated, or otherwise receive a benefit for whole or any part of the price.

As a result of the above findings, the team is not satisfied that the transactions between KHK and Kam Kiu were conducted at arms length.

The profitability assessment is at **confidential appendix 6**.

5.2 Export price assessment

In respect of Australian sales of the goods by Kam Kiu, the team recommends that the export price cannot be determined under section 269TAB(1)(a). The team considers that the purchase of the goods by the importer was not an arms length transaction.

Because the importer subsequently sold the goods in the condition that they were imported, the team recommends that the export price be determined under section 269TAB(1)(b), being the price at which the goods were so sold by the importer less the prescribed deductions.

The team has calculated export price at **confidential appendix 1**.

5.3 Adjustments

The team considers the following adjustments under section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport and port charges	Add an amount for export inland transport and port charges
Export credit terms	Add an amount for export credit
Export packaging	Add an amount for export packaging

Table 3 Summary of adjustments

6 Normal value

6.1 Particular market situation

The current variable factors applying to exporters of the goods from China, including Kam Kiu, were ascertained in case 543. Case 543 included a finding that the situation in China was such that sales in its domestic market were not suitable for determining a price under section 269TAC(1). In case 543, normal values for cooperating exporters were calculated under section 269TAC(2)(c).

Case 609 is examining whether the particular market situation continues to apply. The commission's findings will be outlined in the statement of essential facts.

In the interim, the team have prepared this finding consistent with case 543 and have preliminarily calculated Kam Kiu's normal value under section 269TAC(2)(c). This is subject to change.

6.2 Domestic arms length assessment

In respect of domestic sales of like goods during the review period, the team found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated, or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The team therefore considers that, for all unrelated customer domestic sales, Kam Kiu sold at arms length.⁴

⁴ See section 269TAA.

6.3 Ordinary course of trade assessment

Section 269TAAD states that domestic sales of like goods are not in the ordinary course of trade (**OCOT**) if arms length transactions are both:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.⁵

For domestic sales of like goods, the team assessed:

- if each sale was unprofitable by comparing the price to the relevant CTMS
- if each product code had substantial quantities of unprofitable sales by calculating the volume of unprofitable sales as a percentage of total sales
- if any unprofitable sale was unlikely to be recoverable by comparing the price to the relevant weighted average CTMS.

6.4 Constructed normal value

The team has constructed Kam Kiu's normal value under section 269TAC(2)(c) using the sum of:

- the cost to make that reasonably reflect competitive market costs
- SG&A on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export based on the company's records in accordance with section 44(2) of the *Customs (International Obligations) Regulation 2015 (Cth) (the Regulation)*
- an amount for profit based on data relating to the production and sale of like goods in the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

This report discusses each of these elements below.

The team's normal value calculations are at **confidential appendix 3**.

6.4.1 Cost of production

The case management team has assessed the primary aluminium input costs in the CTM calculation for Kam Kiu and determined that the costs do not reasonably reflect competitive market costs associated with the production of like goods.

The team has applied a competitive benchmark cost for primary aluminium provided by the case management team, consistent with that used in case 543.

The team's competitive benchmark calculations are at **confidential appendix 2a**.

6.4.2 SG&A expenses

The team has used Kam Kiu's SG&A based on its records.

⁵ The commission generally considers the inquiry, investigation, or review period – whichever applies in the given case – is the relevant 'extended period' and 'reasonable period'.

6.4.3 Profit

Where the commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be worked out under section 45 of the Regulation.

The team calculated an amount of profit based on the profit achieved on all domestic sales of like goods in the OCOT in accordance with section 45(2) of the Regulation.

The team's domestic profit calculation is at **confidential appendix 3**.

7 Adjustments

The team considers the following adjustments under section 269TAC(9) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport and port charges	Add an amount for export inland transport and port charges
Export packaging	Add an amount for export packaging
Export credit terms	Add an amount for export credit

Table 4 Summary of adjustments

8 Dumping margin

The team calculated Kam Kiu's dumping margin by comparing weighted average Australian export prices to the corresponding weighted average normal values for the review period under section 269TACB(2)(a).

The team calculated Kam Kiu's dumping margin as **41.1%**.

The dumping margin calculation is at **Confidential appendix 4**.

9 Subsidies

The team reviewed the information submitted by Kam Kiu in respect of any subsidies it may have received during the review period. The team identified the issue outlined below.

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Exception 3: Classification of suppliers

Description: The team identified a number of aluminium suppliers in Kam Kiu's raw materials purchase data classed as private companies whom the commission has previously identified as State-owned Enterprises (SOEs).

Resolution: The team updated the raw materials purchase data to record previously identified suppliers as SOEs, where applicable.

The team found that Kam Kiu received a benefit in relation to several programs.

Existing programs

Program name	Attribution and allocation of the subsidy
Program 15: Aluminium provided at less than adequate remuneration	Attributed to all sales of the goods (domestic and export) by volume.
Program 47: Preferential tax policies for high and new technology enterprises	Attributed to the whole of the company by value.
Program 56: Provincial Government of Guangdong (PGOG) special fund for energy saving technology reform	Attributed to the whole of the company by value.
Program 62: Special funds for provincial enterprises to transfer and upgrade equipment	Attributed to the whole of the company by value.
Program 68: Energy saving project assistance	Attributed to the whole of the company by value.
Program 93: Funds to support technological transformation of enterprises	Attributed to the whole of the company by value.
Program 97: Economic investigation fund	Attributed to the whole of the company by value.
Program 102: Taishan High-integrity enterprise project fund	Attributed to the whole of the company by value.
Program 106: 2018 the fourth batch of Jiangmen supported science and technology development projects 2018 the fourth batch of Jiangmen	Attributed to the whole of the company by value.
Program 107: 2018 Special fund support project fund	Attributed to the whole of the company by value.
Program 108: The third batch of Jiangmen municipal support science and technology development funds in 2019	Attributed to the whole of the company by value.

Table 5 Existing subsidy programs

New programs

Program name	Attribution and allocation of the subsidy
Employment Assistance for the recruitment of poverty alleviation population in the fourth quarter of 2021	Attributed to the whole of the company by value.
Jiangmen Intellectual Property Support Fund in 2022	Attributed to the whole of the company by value.
Science and technology fund subsidy Assistance	Attributed to the whole of the company by value.
2017 Taishan Integrity plan assistance	Attributed to the whole of the company by value.

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Program name	Attribution and allocation of the subsidy
Assistance from Taishan city to encourage investment and support economic transformation and development	Attributed to the whole of the company by value.
Guangdong Social Insurance Fund Administration	Attributed to the whole of the company by value.
Assistance for training of new apprenticeship system in enterprises	Attributed to the whole of the company by value.
Funds for energy conservation and clean production	Attributed to the whole of the company by value.
Assistance for stable employment treatment	Attributed to the whole of the company by value.
Special Funds for Encouraging Investment to Support Economic Transformation and Development in 2020	Attributed to the whole of the company by value.
Special Funds for Foreign Trade and Economic Development of the Central Government in 2020 (Second Batch)	Attributed to the whole of the company by value.
Special Funds Postdoctoral Work Recruited in 2020	Attributed to the whole of the company by value.
Technological transformation of enterprises	Attributed to the whole of the company by value.
Assistance from the Social Insurance Fund Administration	Attributed to the whole of the company by value.
Funds to assist patent navigation projects for enterprise operation	Attributed to the whole of the company by value.
Provincial Special Funds for Promoting High Quality Economic Development in 2020	Attributed to the whole of the company by value.
Assistance from Guangdong Social Insurance Fund Administration	Attributed to the whole of the company by value.
Doctor workstation subsidy	Attributed to the whole of the company by value.

Table 6 New subsidy programs

The team did not identify any issues in its review of the subsidy information provided by Kam Kiu, other than the revision outlined in the exception above. The team detailed this process in the work program and its relevant attachments in **confidential attachment 1**.

On the basis that the commission finds these programs to be countervailable subsidies, the team has calculated the subsidy margin for Kam Kiu during the review period as **4.5%**.

The team detailed the subsidy margin calculation in **confidential appendix 5**.

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CONFIDENTIAL APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price
Confidential appendix 2	Cost to make and sell
Confidential appendix 2a	Competitive benchmark cost
Confidential appendix 3	Normal value
Confidential appendix 4	Dumping margin
Confidential appendix 5	Subsidy margin
Confidential appendix 6	Profitability of imports
Confidential attachment 1	Work program