

22 May 2023

██████████
Case Manager
Investigations 3
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Dear Mr Hawke

Public File

Investigation No. 609 – Review of variable factors – Exporter Verification Reports – Guangdong Jinxi Cheng Al Manufacturing Co Ltd and Guangdong Xingfa Aluminium Co., Ltd

I. Introduction

We refer to the Guangdong Al Jinxi Cheng Manufacturing Co Ltd (“Jinxi Cheng”) and Guangdong Xingfa Aluminium Co., Ltd (“Xingfa”) Exporter Verification Reports recently placed on the EPR in Review of Measures Investigation No. 609.

Capral Limited (“Capral”) has identified some matters for consideration.

II. Guangdong Jinxi Cheng Aluminium Co., Ltd

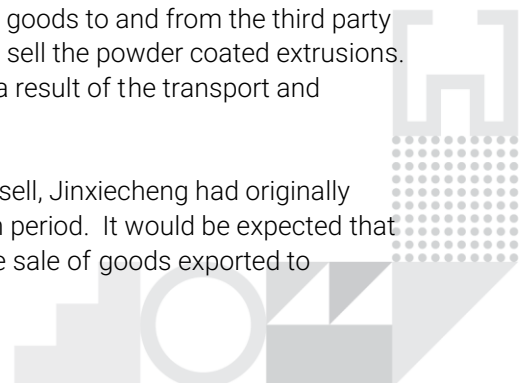
At Section 2.2.1 of the Jinxi Cheng Exporter Verification Report the Anti-Dumping Commission (“the Commission”) states that Jinxi Cheng included two additional Model Control Codes (“MCC”) – ‘Electrophoresis’ and ‘Further processing’.

The Commission states that sales and costs were provided for the two sub-categories electrophoresis and powder coating. It is not clear to Capral what the Commission’s treatment of the ‘further processing’ category has been for Jinxi Cheng’s costs, and whether this category is considered material. It is further noted that at Section 2.5, two MCC categories that include “FP” are identified. It is not clear how these items may be considered as requiring further processing and whether this may be including goods that are genuinely considered mill finish, powder coated or anodised grades of aluminium extrusion.

Capral concurs with the Commission’s requirement of Jinxi Cheng that the invoice date most appropriately records the date of sale in transactions for exports to Australia.

Capral notes that Jinxi Cheng outsources its powder coating function and that the cost of powder coating was not included in Jinxi Cheng’s original cost of goods sold. It is important to ensure that the powder coating cost of the external powder coating function also includes the cost of transporting the goods to and from the third party service provider. The freight costs are incurred as part of the cost to make and sell the powder coated extrusions. Additionally it is likely that these products incur additional packaging costs as a result of the transport and unpacking for processing by the powder coater.

In respect of the Commission’s verification of Jinxi Cheng’s cost to make and sell, Jinxi Cheng had originally included raw material purchases that had occurred outside of the investigation period. It would be expected that raw material aluminium (ingot or billet) would have been purchased prior to the sale of goods exported to



Australia at the commencement of the review period. The exclusion of raw material purchases that are consumed in the production of goods sold at the commencement of the investigation period would appear to result in a misalignment of cost of goods with goods sold.

Finally, it is noted at Section 12.5 that Jinxiecheng has benefited from a 'Deferred payment of income tax' program. A deferred payment provides a benefit received from the Government of China ("GOC") and is countervailable.

Capral anticipates that the Commission will assess the program as a benefit received by Jinxiecheng.

III. Guangdong Xingfa Aluminium Co., Ltd

We note that the Commission has expanded the MCC category "Other" for Xingfa to include four new sub-categories, namely:

- Electrophoresis ('E');
- Fluorocarbon ('F');
- Thermal break ('T');
- Wood grain ('W').

The identification of these additional MCCs will more appropriately align Xingfa's costs with the export price for the goods to Australia. As the Commission has not encountered some of these categories previously, it is critical that the Commission is satisfied that it has identified all of Xingfa's costs that are involved in the production and sale of these goods (i.e. there being incremental costs associated with the additional further processing that have not been investigated previously).

In the verification of Xingfa's domestic sales, the Commission identified sales to related party customers that were at a loss. It is not evident from the Commission's analysis whether, in determining the level of profit made on Xingfa's domestic sales, whether the unprofitable sales were above the threshold for the investigation period and were excluded from the profit calculation for Xingfa.

Capral has a further concern in relation to the determination of profit for goods exported to Australia by Xingfa. The expansion of the "Other" MCC category into four additional sub-categories relates to further processed aluminium extrusions. These goods would likely be sold at premium prices and attract a higher profit margin than for example, mill finish product. Capral is concerned that the normal values determined for each grade or finish of aluminium extrusion include a weighted-average level of profit when individual profit levels for each grade or finish of aluminium extrusions provides a more accurate constructed selling price in China.

Capral considers that the use of a weighted average profit across all grades provides an artificially higher determined normal value for the highest category of aluminium extrusions – i.e. mill finish. The use of the weighted average profit across all sales is therefore considered inappropriate for all finishes of aluminium extrusions and separately calculated profits for each finish should be applied.

We also observe that the Commission accepted Xingfa's corrected packaging costs for one of its production facilities. The Xingfa verification report does not identify the established fact that export packaging costs are higher than for domestic sales. There is an absence of adjustments to account for the differences in domestic and export packaging for Xingfa. Whereas the exporter may state that there is "no difference" between domestic and export packaging costs, the Commission has identified that there are costs for export involved in the packaging and transportation of the goods (i.e. cradles or wooden frames) (Metal frames for containerisation) to ensure no damage is caused during transportation of the goods.



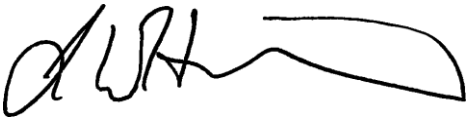
Capral requests that the Commission reflects adjustments in Xingfa's normal values for the differences in packaging costs evident between domestic and export sales.

Xingfa receives a benefit from the GOC under 27 separate programs. Xingfa benefits from the "Preferential Tax for a High tech Enterprise" which is a reduced rate of taxation and not a grant. The taxation benefit reduces the rate of tax from 25 per cent to 15 per cent for an eligible enterprise.

Capral questions whether the complete value of the tax benefit and financial grants received by Xingfa has been accurately recorded as the overall benefit results in a subsidy margin for the investigation period of 0.3 per cent. Capral requests that the Commission re-assess the impact of the subsidies received by Xingfa and re-calculate the aggregate impact on Xingfa's export sales to Australia.

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



Luke Hawkins
General Manager – Supply and Industrial Solutions

