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Public File

Dear Ms Baynham

Investigation No. 482 – Review of measures inquiry – aluminium extrusions exported from P R China – Exporter Foshan Shunde Beijiao Jiawei Aluminium Factory

I. Introduction

Capral Limited ("Capral") has noted that the Chinese exporter Foshan Shunde Beijiao Jiawei Aluminium Factory ("Foshan Shunde") has provided the Anti-Dumping Commission ("the Commission") with an exporter questionnaire response ("EQR") (Review Investigation No. 482, EPR Document No. 12).

In a File Note (EPR Document 9) the Commission indicated it had afforded Foshan Shunde an extension to provide a fully compliant EQR. Capral understands that the Commission will be conducting a verification visit with Foshan Shunde.

Foshan Shunde did not export the goods during the initial investigation period in Investigation 148. Foshan Shunde requested an accelerated review (No. 387) where the Parliamentary Secretary accepted the Commissioner's recommendation to set the export price and normal value for Foshan Shunde at the same level. The Commission did not conduct a verification visit at Foshan Shunde in Investigation 387.

According to the most recent Dumping Commodities Register ("DCR"), the applicable IDD rate for Foshan Shunde is 3.6 per cent (with no ICD payable). This level of IDD for Foshan Shunde was based on the most recent review of measures investigation No. 392. Again, the Commission did not conduct a verification visit with Foshan Shunde.

Capral highlights with the Commission that Foshan Shunde is one of the five largest Chinese exporters of aluminium extrusions to Australia. As the Commission has not conducted a verification visit with Foshan Shunde, the information relied upon for the determination of Foshan Shunde's 3.6 per cent dumping margin and the zero ICD level has been based upon information sourced solely from the Foshan Shunde EQR.

Capral welcomes the Commission's preparedness to conduct a verification visit with Foshan Shunde and establish the accuracy of information relied upon in the exporter's EQR (including confirmation as to actual costs incurred in the production of the goods, selling and general administration expense, and profit, and eligibility for any subsidy programs that may not have been declared).

II. General

Capral understands that the Government of China ("GOC") has not provided any evidence to alter the findings confirmed in recent Review Investigation No. 392 that a particular market situation applies to aluminium extrusions sold domestically in China. On this basis, Capral anticipates that the Commission will continue to be satisfied that the GOC influences the price of primary aluminium sold in China such that it is not determined on a competitive basis.

Normal values for Chinese exporters in the current review investigation No. 482 therefore will also be determined on a constructed cost basis under subsection 269TAC(2)(c) using exporter cost data (where available) and constructed as required by subsections 269TAC(5A) and 269TAC(5B) in accordance with Sections 43, 44 and 45 of the *Customs (International Obligations) Regulation 2015*.

The cost of production for Chinese exporters is determined in accordance with subsection 43(2) of the Regulations that requires:

- If an exporter or producer maintains records relating to the goods that are in accordance with generally accepted accounting (GAAP) in the country of export; and
- Those records reasonably reflect competitive market costs associated with the production of the goods,

the Minister must work out the cost of production using the information set out in the exporter's or producer's records.

In Report No. 392 (and earlier reports involving exports of the goods from China to Australia) the Commission has determined that due to the influence of the Government of China ("GOC") in the domestic market for primary aluminium, "*the exporter's costs do not reasonably reflect competitive market costs for the production or manufacture of the goods*". As a consequence, a benchmark cost for primary aluminium is included in the Chinese exporter's production costs that reflects:

- A published price for primary aluminium;
- A regional premium;
- Inland transport costs; and
- A billet premium reflecting the additional cost to convert an ingot into a billet for use in the manufacture of the goods.

The primary aluminium price used by the Commission is the average monthly London Metal Exchange (LME) cash price sourced from Metal Prices Pty Ltd. The regional premium is the Major Japanese Ports (MJP) premium applicable for transactions in Asia (also sourced from Metal Prices Pty Ltd). In respect of inland transport costs for primary aluminium, the Commission was only able to obtain actual verified costs for inland freight for one domestic producer in Review inquiry No. 392. Capral requests the Commission to seek all cooperative exporters top provide details of inland freight costs for domestic purchases of primary aluminium. Capral is also aware that for billet premiums, the Commission used the Australian industry's billet price schedules incurred for the review period. Capral can provide the Commission with the applicable billet premium for the period I July 2017 to 30 June 2018.

The exporter's selling, general and administration costs are determined under subsection 44(2) of the Regulations and level of profit in accordance with subsection 45(2) of the regulations. Where the selling and general administration costs, and the level of profit, cannot be determined for sales of like goods on the domestic market in China, costs/profit for goods sold in the same general category of goods may be used.

Additionally, when considering adjustments to the Chinese exporter's determined normal value, Capral draws to the Commission's attention 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. Some exporters have asserted that no cost differential for packaging related expenses between domestic and export markets. This is clearly not the case as additional packaging is required for goods destined for export, and hence attracts a higher cost. Appropriate uplifts to normal value for higher costs incurred on export sales are required.

III. Foshan Shunde EQR

The Foshan Shunde EQR confirms that the exporter sells the same goods domestically as it does for export top Australia, namely mill finish, anodised and powder coated finished goods. Foshan Shunde also claims that there are no further physical differences between the domestic and exported goods. However, as Capral has previously highlighted with the Commission there are differences for the different grade alloy used and the temper of the alloy. These are factors that influence the selling price of the goods and require inclusion in the applicable normal value.

It is also noted that Foshan Shunde claims that there are no differences in packaging between domestic and export sales. Past investigations by the Commission into aluminium extrusions exported from China, Malaysia, Thailand and Vietnam have confirmed the different packaging costs between domestic and export sales.

If you have any questions concerning the attached updated financial data, please let me know. I can be contacted on (02) 8222 0113 or you may contact Capral's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

Luke Hawkins
General Manager – Supply and Industrial Solutions