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Public File

Dear Ms Baynham

Investigation No. 482 – Review of measures inquiry – aluminium extrusions exported from P R China – Guangdong Jinxiecheng AL. Manufacturing Co., Ltd

I. Introduction

In the recent Review Investigation No. 392, the Commission visited Guangdong Jinxiecheng AL Manufacturing Co., Ltd ("Jinxiecheng") and determined a 3.6 per cent dumping margin for the Chinese manufacturer and exporter.

Jinxiecheng is a Foreign Invested Enterprise ("FIE. Prior to Review Investigation 392, Jinxiecheng was involved in an accelerated review prior to continuation investigation No. 287. Based upon the current Dumping Commodities Register ("DCR") confirming applicable IDD rates for exporters of the goods to Australia, Jinxiecheng's exports are the subject of the interim dumping duty ("IDD") via:

- Foshan Nanhai Newtime Trading Co., Ltd;
- Foshan Everbright Import and Export Co., Ltd;
- Guangdong Nenking Import and Export Co., Ltd; or
- Foshan Chan Seng Import and Export Co., Ltd

Jinxiecheng operates in the Henggang Industrial Zone, Shishan Town, Nanhai District, Foshan City, Guangdong Province.

Jinxiecheng was established in 1998. The company sells aluminium extrusions in both the domestic and export markets.

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. Jinxiecheng's EQR

Jinxiecheng's EQR confirms that the company manufactures aluminium extrusions in mill finish, anodised, electrophoresis and powder coated forms. During the investigation period, Jinxiecheng exported mill finished, anodised and powder coating products to Australia. The Commission will therefore be required to examine costs for the exported goods are allocated correctly as per the different finishes.

It is stated that Jinxiecheng sells domestically to traders and non-associated end-users. It is further claimed that a "*little percentage of products was sold to end users*". All of Jinxiecheng's sales are ex-works, and no delivery is included in sales price.

As was claimed in the previous review investigation (N. 392), Jinxiecheng claims that there is no difference in packaging for domestic and export sales. The Commission's experience in Investigation No. 362 and 442 is that there does appear to be a difference in packaging costs incurred by the exporter, which has typically established that export packaging costs are higher than domestic packaging costs. Additionally, there is a stillage (or trolley) cost associated with exported goods. Jinxiecheng has not referenced the cost of trolleys in its EQR. The Commission requests that the Commission further examine this issue with the exporter.

IV. <u>Countervailing</u>

Jinxiecheng's EQR states that it does not receive any benefits from the GOC in relation to its production facilities of the goods the subject of the inquiry.

It is noted, however, that Jinxiecheng claims that as it does not operate within any special economic zone, economic and technical development zone, etc it does not receive any benefits. Capral understands that from the experiences of other Chinese exporters of the goods, the GOC provides assistance in the form of grants, etc which are not contingent on whether the exporter is in a special zone. Capral requests that the Commission fully examine Jinxiecheng's eligibility for grants from the GOC for its export activities.

If you have any questions concerning this briefing, please do not hesitate to contact me. 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