

8 October 2018

Ms Leisa Baynham
Assistant Director
Investigations 4
Anti-Dumping Commission
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Public File

Dear Ms Baynham

Investigation No. 482 – Aluminium extrusions exported from P R China - Increased production costs following Review Investigation No. 392

I. Introduction

Capral Limited (“Capral”) would like to highlight with the Anti-Dumping Commission (“the Commission”) recent changes in the manufacturing costs that have been borne by all producers of aluminium extrusions in the People Republic of China (“China”) since the end of the 2016 investigation period in Review Investigation No. 392.

II. Changes in LME & MJP

In the period following Review Investigation No. 392, the London Metals Exchange (“LME”) cash rate for aluminium plus the Major Japanese Port (“MJP”) premium has increased from US\$1702.22 during the period 1 January to 31 December 2016 to approximately US\$2244.21 across the twelve months ending 30 June 2018¹.

This represents an increase of approximately 32 per cent.

Confidential Attachment 1 depicts the move in the LME and MJP from January 2008 to 30 June 2018.

The sharp increase in primary aluminium prices confirms that the anti-dumping measures applied following Review Investigation No. 392 are out of date and that exports from China that do not reflect contemporary LME and MJP prices are at dumped levels and therefore injurious to the Australian industry.

Capral notes that the Chinese export prices in 2017/18 have not increased commensurate with increases in the LME and MJP prices. This evidences continued dumping by Chinese exporters across the investigation period. Please refer to Confidential Attachment 2 that depicts the LME versus Chinese export prices since January 2015.

¹ Source: Metal Markets Bulletin.

III. Chinese cost of living and labour expenses

China has also experienced an increase in inflation since the end of 2016. This is represented in Table 1 below (ex *Inflation.eu*) that depicts annual inflation rates since 2014, along with the inflation in the first six months of 2018 (monthly rates are available).

Table 1 – China annual CPI²

Year	Annual inflation
2014	1.41%
2015	1.62%
2016	1.99%
2017	1.45%
2018 (to June)	0.40%

Table 1 confirms an approximate 2 per cent increase in the cost of living in China since the end of 2016. This increase in everyday expenses would impact raw material input prices in China including electricity, transport fuels, labour, utilities and operating costs.

Capral is also aware of increased labour costs in China across the relevant periods. In referencing *Tradingeconomics*³ the average Chinese wage in manufacturing increased from CNY59470 in 2016 to CNY64452 in 2017. This represents an 8.4 per cent increase in manufacturing wages in the Chinese manufacturing sector. This recent 8.4 per cent increase follows the 7.5 per cent from 2015 to 2016.

Chinese producers and exporters of aluminium extrusions are not immune to labour rate increases. Capral anticipates the Commission will examine changes in labour costs during the investigation from the previous review period (i.e. 2016) and confirm changes in cost of labour expenses.

The higher costs associated with the production of the goods would also impact the packaging of the goods. Capral expects that the Chinese exporters would have higher packaging costs in 2017/18 than was determined for the 2016 review investigation period.

In each of the recent investigations into aluminium extrusions exported from China, Malaysia and Vietnam (i.e. Review Investigations 392 and Investigation 362), along with Investigation 442 (aluminium extrusions exported from China and Thailand) Capral has detailed the relevant costs associated with the cost of aluminium sourced by aluminium extrusion manufacturers. As a minimum the purchased price for aluminium for producers in China must reflect the sum of:

- Aluminium at prevailing London Metal Exchange (“LME”) cash rate; plus
- Billet premiums; plus
- Major Japanese Port (“MJP”) premium that is applicable to all aluminium purchases in South East Asia, including Chinese manufacturers.

As mentioned above, exporters of aluminium extrusions also incur costs for export packaging for aluminium extrusions that include steel trolleys, wooden crates and inter leave paper.

IV. Conclusion

The current review of measures on aluminium extrusions exported from China will examine increased costs for the production of aluminium extrusions in China since 2016. The higher costs will be evident in:

- The LME cash rate and MJP;
- Billet premium;
- Labour expenses; and

² Inflation.eu Worldwide inflation data

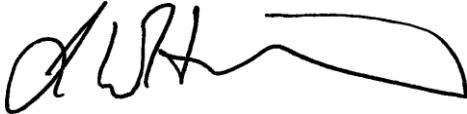
³ See tradingeconomics.com/china/wages-in-manufacturing

- Higher overall expenses for electricity, raw materials (other than aluminium) and other ancillary expenses (including packaging),

that have occurred in the 2017/18 investigation period.

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

A handwritten signature in black ink, appearing to read 'LHAWKINS', with a long horizontal flourish extending to the right.

Luke Hawkins
General Manager – Supply and Industrial Solutions