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Ms Leisa Baynham
Assistant Director
Investigations 4
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601

Email: leisa.baynham@adcommission.gov.au

Public File

Dear Ms Baynham

Investigation No. 482 – Review of measures inquiry – aluminium extrusions exported from P R China – Exporter Briefing Goomax Metal Co., Ltd Fujian

I. Introduction

Capral Limited (“Capral”) is informed that the Anti-Dumping Commission (“the Commission”) will be conducting a verification visit with Goomax Metal Co., Ltd Fujian (“Goomax”) as part of Investigation No. 482 involving aluminium extrusions exported to Australia from China.

Goomax was a “cooperative” exporter in Investigation No. 392. Goomax had a dumping margin of 11.1 per cent determined for exports to Australia during the 2016 year.

The company has indicated it will fully cooperate with the Commission in the current review investigation.

II. General

In Report No. 392 (dated October 2017) the Commission determined a particular market situation existed in respect of aluminium extrusions in China during the review period (i.e. 1 January 2016 to 31 December 2016). Capral is not aware of any changes in government-ownership of the major producers of primary aluminium in China over the intervening period since publication of Report No. 392.

Normal values for Chinese exporters of the goods will be assessed under subsection 269TAC(2)(c) using the exporter’s 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 Goomax (and other 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 the Commission 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 verify with Goomax 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.

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 Goomax' records should confirm that packaging costs for export are higher than domestic packaging costs, including for steel trolleys, wooden crates and inter-leave paper. In previous investigations, some exporters have claimed no difference between domestic and export packaging costs, however, the Commission has established this not to be the case. Recent investigations (including 362, 392 and 442) have confirmed the existence of these costs for export sales of the goods to Australia necessitating an upwards adjustment to the Chinese exporter's normal value.

III. Goomax EQR

The Goomax exporter questionnaire response ("EQR") at Section G-3 indicates that the company records costs by model which is defined by finish or materials used in production thereof. Goomax claims that there exist no differences between the goods sold domestically and for export. Capral questions whether the goods sold domestically in China by Goomax are in fact the same as sold for export to Australia. It is requested that the Commission fully validate Goomax' assertions.

Goomax' EQR also confirms that the exporter received certain grants from the Government of China ("GOC"). It is further confirmed that certain subsidy programs under which a subsidy benefit is paid continue to operate. The Commission will seek information relating to the programs, as well as investigating whether Goomax is eligible for other grants not identified in its EQR.

IV. Further information on Goomax

Goomax describes itself as a "scientific and technology private enterprise" on its homepage. It states it has received the following 'honorable titles':

- Famous Trademark of China;
- Fujian Famous Brand;
- Top 10 Aluminium Profiles Manufacturer of China;
- Innovative Pilot Enterprises in Fujian Province;

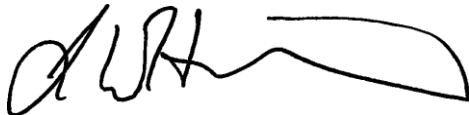
- National Hi-Tech Enterprise;
- Nanan Star Enterprise;
- Nanan Reserve Listed Enterprise.

These awards attract grants received from the GOC. It is noted by Capral that in Goomax's 2017 year, the company did not pay tax at the 25 per cent rate. Goomax is a National Hi-Tech Enterprise and it is understood that hi-tech enterprises attract a countervailable 15 per cent company tax rate.

Goomax does confirm that it is in receipt of certain subsidies involving grants and preferential policies as listed at Section H-2 of its EQR. Capral requests the Commission to examine Goomax' financial records to establish if it qualifies for the concessional company tax rate and to validate receipt of grants that typically accompany the awards nominated by Goomax. Further, Goomax states that it does not receive any other subsidies other than those identified in Sections H-2 to H-4 of its EQR. The Commission is requested to investigate this claim further.

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