

6 February 2019

Ms Leisa Baynham
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Investigations 4
Anti-Dumping Commission
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Public File

Dear Ms Baynham

Investigation No. 482 – Aluminium extrusions exported from P R China – Exporter Verification Reports

I. Exporter verification reports

I refer to the following exporter verification reports recently placed on the Electronic Public File (“EPR”) in Investigation No. 482 (“Invest. 482”):

- Guangdong Zhongya Aluminium Co., Ltd (“Zhongya”) (EPR Document 042);
- Guangdong Jinxiecheng AL Manufacturing Co., Ltd (“Jinxiecheng”) (EPR Document 043);
- Tai Shan City Kam Kui Aluminium Extrusion Co. Ltd (“Kam Kui”) (EPR Document 044); and
- Goomax Metal Co Ltd Fujian (“Goomax”) (EPR Document No. 045).

Capral Limited (“Capral”) has reviewed the above exporter verification reports and provides the following comments in relation to each exporter verification report.

II. Guangdong Zhongya Aluminium Co., Ltd

The current anti-dumping measures applicable to Zhongya relate to countervailing duties only. The Anti-Dumping Commission (“Commission”) has determined that Zhongya received benefits under Program 21 (Tariff and VAT Exemptions on Imported Materials and Equipment) and Programs 2 (Well-known Trade Marks of China grant), 56 (Special Fund for Energy Saving Technology Reform grant) and 58 (Development assistance grant for High and New Technology Development Zone). These benefits were declared by Zhongya in its exporter questionnaire response (EQR). The identified grants were received from the local government.

Capral queries whether the Commission has examined whether there are any new programs provided by the Government of China (“GOC”) that Zhongya may have received a benefit from in the period following the investigation period in the previous review inquiry No. 392 (investigation period was 1 January to 31 December 2016). It is noted that Zhongya has indicated it did not receive any benefits under “Any Other Programs” at Section C-5 of its EQR, however, it is not clear what steps the Commission has undertaken to establish whether the Zhongya response is correct. Further, Zhongya states that it purchases its

aluminium ingots from “Non-SOE suppliers”. Has the Commission examined the ownership of the listed entities that supply aluminium ingots to Zhongya to establish whether Zhongya’s statement is accurate?

III. Guangdong Jinxiecheng AL Manufacturing Co., Ltd

The Jinxiecheng report states that export packaging costs did not differ from domestic packaging costs. However, Jinxiecheng notified the Commission that “additional packaging costs for Australian sales, including wooden crates and steel trolleys were borne by traders that manage the export process”. As a result, no upward adjustment to Jinxiecheng’s normal value was made.

Capral views the additional export packaging costs as relevant to the determination of Jinxiecheng’s normal value. No adjustment of export price is evident for goods produced by Jinxiecheng that can be attributed to the higher export packaging costs. It is therefore necessary for the additional packaging costs to be included as an adjustment to the Jinxiecheng normal value. If necessary, the Commission can use the verified export packaging costs of another Chinese exporter to adjust Jinxiecheng’s normal value (e.g. Kam Kui).

Capral further observes that the Commission has not made an adjustment to Jinxiecheng’s normal value for differences in the domestic VAT rebate (17 and 16 per cent during the investigation period) and the rebate on export (13 per cent). It is stated that no adjustment was made as “*here was no difference in non-refundable VAT liability between Jinxiecheng’s domestic and Australian sales*” and that there was no evidence “that the price paid or payable by the traders to Jinxiecheng was influenced by a difference in non-refundable VAT liability). It is noted that other cooperative Chinese exporters’ normal values were adjusted for non-refundable VAT on export sales to Australia (e.g. Kam Kui).

Whereas Jinxiecheng may have sold the goods subsequently exported to Australia at the applicable VAT domestic rate, it is without doubt that the exporter would only have received an export rebate at the 13 per cent level. It is therefore necessary to make an upward adjustment to Jinxiecheng’s normal value to account for the VAT differential between domestic and export sales (whether or not the Commission found that the selling prices to Jinxiecheng’s trader did not reflect a price differential for goods sold between the domestic and export markets). In the absence of an adjustment for the VAT differential, Jinxiecheng’s normal value is understated (as is the determined margin of dumping).

IV. Tai Shan City Kam Kui Aluminium Extrusion Co., Ltd

Capral observes that the Commission has afforded Kam Kui a negative adjustment for “domestic quality issues” that it allegedly applies to domestic sales as compensation for product quality issues (presumably for inferior production quality).

It is further observed that the downward adjustment was previously afforded to Kam Kui in review Investigation No. 392.

Capral would anticipate that the Commission could request evidence of correspondence from Kam Kui that the rebate paid to customers relates specifically to a defect in the good sold domestically. Capral is concerned that rebates of this nature as claimed by Kam Kui may not be as declared and are used to reduce the level of profit determine don Kam Kui’s domestic sales (and included in Kam Kui’s constructed normal value).

The Kam Kui report does not disclose the subsidy margin determined by the Commission following the verification. The Zhongya subsidy margin has been declared in the Zhongya report. Capral considers it reasonable for Kam Kui’s subsidy margin to be disclosed in the report given that the Zhongya and Goomax subsidy margins were disclosed in their respective reports.

V. Goomax Metal Co., Ltd Fujian

The Commission has not included an adjustment to Goomax’ normal value for export packaging costs. This is despite the verification team observing an additional packaging layer used in goods destined for export. The report claims that the verification team considers this additional packaging cost “likely be immaterial”. Capral, however, rejects this conclusion.

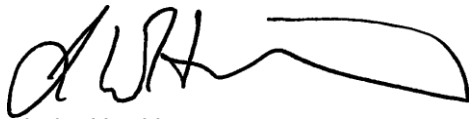
As indicated in the Jinxiecheng report, there are additional export packaging costs associated with packaging materials and steel trolleys. No reference is made in the Goomax report to the latter.

The Commission has access to export packaging costs from other cooperative Chinese exporters. These costs are actual costs incurred – even though some exporters including Goomax may not separately record the items – and must be included as an upward adjustment to Goomax' normal value.

Capral requests the Commission to re-visit export packaging costs for all Chinese exporters of aluminium extrusions (including Goomax) and include an upward adjustment to normal value to reflect the export packaging costs that are incurred on each export sale.

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