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**Public File**

Dear Ms Baynham

**Investigation No. 482 – Aluminium extrusions exported from P R China – Statement of Essential Facts**

## I. Summary

Capral Limited ("Capral") welcomes the publication of Statement of Essential Facts No. 482 concerning the review of variable factors applicable to aluminium extrusions exported from the People's Republic of China ("China").

Capral notes that the Anti-Dumping Commission ("the Commission") proposes to recommend to the Minister for Industry, Science and Technology ("the Minister") that the dumping duty notice and the countervailing duty notice have effect as if different variable factors had been ascertained. That is, the normal values and export prices determined in Review Investigation No. 392 ("Review 392") have changed and will be revised accordingly.

Additionally, it is noted that the Commissioner proposes to recommend to the Minister that the countervailing duty notice in respect of exports of aluminium extrusions from China by Guandong Zhonga Aluminium Co., Ltd ("Zhongya") should not be revoked.

Capral supports the Commissioner's proposed recommendations based upon findings that normal values and export prices have increased following the last review of measures (i.e. Review 392). The change in variable factors is material and aligns normal values and export prices with contemporary prices. Capral also supports the proposed recommendation not to revoke the countervailing duties applicable to Zhongya.

## II. Current review

The current review of variable factors was commenced on 12 July 2018 following a request by the then Assistant Minister for Science, Jobs and Innovation to the Minister for Jobs and innovation (the former Assistant Minister) pursuant to subsection 269ZA(3) of the Customs Act 1901, requesting the Commissioner to commence a review of dumping and countervailing measures applicable to exporters of aluminium extrusions from China.

The basis for the Assistant Minister's directive to conduct a review of measures was that the then measures were based upon historic prices for aluminium extrusions that were significantly lower than contemporary prices, with the key raw material aluminium having increased by approximately 20 per cent following the completion of the investigation period in Review 392.

The review of measures inquiry was extended following a request by Zhongya to include a consideration as to whether there are reasonable grounds for determining that the anti-dumping measures described in the notice are no longer warranted in respect of goods exported to Australia by Zhongya. The extension of the review inquiry is limited to examining whether the countervailing duty notice as it applies to Zhongya should be revoked.

### III. Change in variable factors - dumping

Capral included a submission (EPR Document 013) detailing changes in the LME price for primary aluminium that had increased by more than 27 per cent (in A$) or 32 per cent (in US$) since the investigation period in Review 392. Capral further indicated that the Australian industry "*was competing at reduced levels that do not reflect contemporary, non-dumped prices for exports from China*." It was contended that revised variable factors should reflect the higher, LME aluminium input costs of Chinese aluminium extrusion producers.

The Commission did not receive cooperation from the Government of China ("GOC") in the form of a completed government questionnaire. Capral concurs with the Commission's assessment "*that a particular market situation existed in respect of the domestic market in China for aluminium extrusions*" during the review investigation period. The Commission "*found that the GOC influence in the primary aluminium and aluminium extrusion sectors has resulted in significantly different aluminium extrusion prices., compared to what would have been the case if the relevant markets operated without significant GOC intervention*".

In determining a particular market situation apples for aluminium extrusions in China, the Commission must then adjust the records of the exporters so they reasonably reflect competitive market costs. To effect this adjustment, the Commission has – as it has done in recent investigations involving aluminium extrusions – adjusted the exporter's records to reflect market costs comprising:

- The LME cash price for primary aluminium;
- A regional premium (i.e. Major Japanese Ports 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 aluminium extrusions.

The above costs have been included in a benchmark aluminium cost that has been surrogated into the Chinese exporter's production costs so that the adjusted costs reflect competitive market costs.

The Commission's investigations in Review 482 have confirmed that the variable factors (i.e. normal values and export prices) have altered (reflecting the identified changes in LME aluminium prices following the investigation period in Review 392) . The dumping margins determined for Chinese exporters are reflected in Table 1.

**Table 1 – Preliminary dumping margins in Review 482**

| Exporter | Dumping Margin |
|---|---|
| PanAsia Aluminium (China) Limited | 60.1 % |
| Tia Shan City Kam Kui Aluminium Extrusion Co Ltd | 35.7 % |
| Foshan Shunde Beijiao Jiawei Aluminium Factory | 20.1 % |
| Goomax Metal Co Ltd Fujian | 42.3 % |
| Guangdong Jinxiecheng Al Manufacturing Co Ltd | 15.8 % |
| Residual exporters | 30.1 % |
| All other exporters | 95.9 % |

The dumping margins determined are significant and demonstrate that with the rise in raw material aluminium costs, Chinese exporters of aluminium extrusions did not raise export prices to reflect higher input costs. Chinese exporters re-commenced dumping on the Australian market immediately following the investigation period in Review 392, causing further material injury to the Australian industry.

The Commissioner is proposing to recommend that the Minister sign notices that alter the variable factors to reflect dumping margins as detailed in Table 1. Capral urges the Commissioner to complete a final report and recommendations for the Minister as swiftly as possible (i.e. without further delay) to minimize additional injury to the Australian industry that is being caused from variable factors determined at lower levels (in Review 392) than contemporary selling prices.

## IV. Specific comments re certain exporters and importers

Capral notes that for most cooperative Chinese exporters for which there is a verification report, there is commentary concerning adjustments made to normal value for differences in Value-Added Tax ("VAT") on domestic versus export sales. In the Goomax Metal Co Ltd Fujian ("Goomax") verification report there is an absence of any reference of an adjustment for the non-refundable VAT.

It is also noted in the accelerated review investigation for Goomax (Report No. 347) that the Report is silent as to whether an adjustment for non-refundable VAT was made.

Capral queries whether an adjustment is required to Goomax' normal value as per the Commission's practice for non-refundable VAT.

In respect of sales made by the Australian importer Megatone, the Mega Stone Pty Ltd ("Mega Stone") importer visit report addresses the company's profitability of imports. In particular, it is stated[1]:

> "*At the visit, Mega Stone stated that the goods supplied by various suppliers (imported and domestically sourced) is mixed and sold collectively as they do not differ in models/types, etc and can be used in the same end-use function. As such, the verification team was not able to calculate the profit and profitability of the 12 selected shipments*."

And further:

> "*The verification team noted from Mega Stone' Profit and Loss Statement that during the review period Mega Stone was profitable. At the visit, Mega Stone stated that approximately 80 per cent of its business is in relation to the goods*."

Capral is concerned that the Commission has been unable to establish whether the 12 shipments selected for verification were sold at a profit. Whilst Mega Stone as an entity may have been trading profitably, the requirement is that the goods were not sold at a loss in order for the invoice price to be used as the basis for determining export price under subsection 269TAB(1)(b). It is noted that Mega Stone sources from imports and domestically and it may be that it sells the domestically sourced goods at a profit and the imported goods at a loss.

Capral requests the Commission to re-examine the profitability of sales made by Mega Stone during the investigation period and to be satisfied that the imported goods were sold at a profit.

## V. Change in variable factors - countervailing

The Commission confirmed that Chinese exporters of aluminium extrusions continue to receive subsidy benefits from the GOC. The Commission identified 65 programs that are countervailable in respect of aluminium extrusions exported to Australia, with benefits flowing to exporters of the goods. The Commission determined subsidy margins as outlined in Table 2.

[1] EPR Document 015, P.7.

**Table 2 – Preliminary subsidy margins in Review 482**

| Exporter | Subsidy Margin |
|---|---|
| PanAsia Aluminium (China) Limited | 2.6 % |
| Tia Shan City Kam Kui Aluminium Extrusion Co Ltd | 3.6 % |
| Foshan Shunde Beijiao Jiawei Aluminium Factory | 0 % |
| Guangdong Zhongya Aluminium Company Ltd | 0.2 % |
| Goomax Metal Co Ltd Fujian | 1.2 % |
| Guangdong Jinxiecheng Al Manufacturing Co Ltd | 0 % |
| Residual exporters | 1.1 % |
| All other exporters | 95.9 % |

## VI. Non-injurious price

In all investigations involving the publication of a dumping duty notice, the Minister cannot exceed a dumping duty that exceeds the margin of dumping. The Minister is also required to have regard to the lesser duty rule.

Section 8.1 of SEF 482 outlines circumstances where the Minister is not required to have regard to the desirability of fixing a lesser amount of duty involving the exported goods. As was the case in Review 392, the circumstances required for the Minister not to apply the lesser duty rule continue to exist for aluminium extrusions exported from China. Capral supports the Commissioner's proposed recommendation not to consider the lesser duty rule and impose measures at the full margin (determined by reference to the normal value).

## VII. Revocation

Capral understands that Zhongya is one of the largest exporters of aluminium extrusions to Australia. Capral considers that Zhongya's request for revocation on its claims that the revocation of the countervailing measures against it would not lead to material injury (or future threat) to the Australian industry.

Capral disagrees with Zhongya's claims. The Commission's analysis confirms Capral's view that it continues to experience in the form of price depression, price suppression, profit and profitability at a time when raw material costs have increased. The Commission's finding that over this period, Capral's market share declined whilst Zhongya's share of the Australian market increased.

The Commission's concerns that in the event the countervailing measures are revoked on Zhongya, the exporter is likely to return to the sourcing of aluminium from State-Owned Enterprises (SOEs) represents a very real prospect of a threat of future injury. The maintaining of the countervailing measures on Zhongya at a time when the Australian industry continues to experience material injury is prudent and appropriate. Zhongya continues to receive subsidisation in respect of aluminium extrusions exported to Australia and to remove the countervailing measures would be premature.

Capral endorses the Commission's proposed recommendation to not revoke the countervailing measures applicable to Zhongya.

## VIII. Recommendations

The Commissioner's proposed recommendation to alter the variable factors applicable to aluminium extrusions exported to Australia from China will align measures to contemporary prices. The Australian industry has experienced material injury from Chinese exports following Review 392 as raw material aluminium prices increased by approximately 30 per cent. Over this period, the Australian industry has been unable to raise prices to recover cost increases and has been undercut by Chinese export prices that did not reflect the higher aluminium input costs.

Capral therefore supports and welcomes the Commissioner's proposed recommendations in SEF 482 to alter the variable factors for interim dumping duty and interim countervailing duty to the levels reflecting in pricing for the investigation period 1 July 2017 to 30 June 2018.

Capral also supports the Commissioner's proposed recommendation not to revoke the countervailing measures applicable to Zhonga. Zhongya is one of the largest exporters of aluminium extrusions to Australia and the revocation of the countervailing duties would likely result in the exporter returning to sourcing raw material LME from SOEs that would again benefit the exporter in selling at prices that are injurious to the Australian industry.

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

Luke Hawkins
General Manager – Supply and Industrial Solutions