

20 February 2019

The Director
Investigations 3
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Email: investigations3@adcommission.gov.au

Public File

Dear Sir/Madam

Review Investigation No. 497 – Aluminium extrusions exported from P R China by Guangdong Huachang Aluminium Factory Co., Ltd

I. Introduction

I refer to ADN No. 2019/006 notifying the commencement of a review of measures investigation concerning exports of aluminium extrusions (“the goods”) to Australia by Guangdong Huachang Aluminium Factory Co., Ltd (“Huachang”).

Huachang has made an application for the determination of separate variable factors applicable to its exports of the goods to Australia. In Review Investigation No. 392 Huachang was considered a non-cooperative exporter. Huachang claims that its export prices to Australia for the goods are above the ascertained export prices determined in Review Investigation No. 392.

II. Huachang Exporter Questionnaire Response

Capral Limited (“Capral”) anticipates that it will have an opportunity to comment on Huachang’s Exporter Questionnaire Response (“EQR”) once it becomes available. The Huachang EQR will also enable interested parties to comment upon any countervailable subsidies the exporter may have received from the Government of China (“GOC”).

III. Relevant considerations in Huachang’s normal value determination

In its submission to Review Investigation No. 482 (dated 25 September 2018) Capral stated that it understands the GOC has not recently provided any evidence to alter the findings confirmed in Review Investigation No. 392 that a particular market situation applies to aluminium extrusions sold domestically in China. Capral therefore 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 Huachang will therefore be determined on a constructed cost basis under subsection 269TAC(2)(c) using Huachang’s cost data 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 inclusion in Huachang's normal value will be 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.

Capral notes that in Report No. 392 (and earlier reports involving exports of the goods from China to Australia) 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 No. 392. Capral requests the Commission to seek from Huachang 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 has provided the Commission with this information in Investigation No. 482.

Huachang'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 Huachang's normal value, Capral draws to the Commission's attention that Huachang'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. In Review 482 some exporters claim that no cost differential exists 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. Additionally, Review No. 482 confirmed the change in the export rebate for VAT for Chinese exports of the goods. Relevant adjustments to Huachang's normal value for the change in the VAT export rebate are also required.

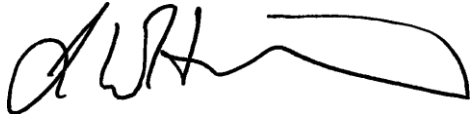
IV. Conclusions

Capral understands that Huachang's normal value is required to be determined on a constructed cost basis reflecting the LME billet plus premium costs for the period, plus conversion costs as obtained from Huachang's financial records. Amounts for S, G&A and profit must also be included in Huachang's normal value.

Capral anticipates that the Commission will include adjustments to Huachang's normal value for differences incurred in packaging the goods for domestic and export markets, along with an adjustment to reflect the difference between VAT on domestic and export markets.

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