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Public File

Dear Ms Yang

Investigation 542 – Exporter Questionnaire Response – Guangdong Jiangshang Aluminium Co., Ltd and Guangdong Zhongya Aluminium Co., Ltd

I. Introduction

I refer to the recent Exporter Questionnaire Responses ("EQR") of Guangdong Jiangsheng Aluminium Co., Ltd ("Jiangsheng") and Guangdong Zhongya Aluminium Co., Ltd ("Zhongya").

Aluminium Shapemakers Pty Ltd ("Alushapes") seeks to address references to cost determinations for the Chinese exporters.

II. Jiangsheng

At Section G-3 of the Jiangsheng EQR the exporter states:

"Each production stage is a cost centre, it has its own cost record, in which materials, labours and overhead are actual costs. As products are manufactured through different production stages, the manufacturing cost of a product is the cost in the LAST production stage. A mill finishing extrusion, for example, its cost is one as recorded in extrusion workshop/stage. An extrusion with anodizing/powder coating and fabrication, its cost is one as recorded in fabrication workshop/stage, which shall be accumulation of costs in costs of production of smelting, extrusion, anodizing/powder coating and fabrication.

Within the cost centre, materials, labours and overhead are usually allocated by weight, with two exceptions. One is in production stage of [], materials are actual cost, while labours and overhead are allocated by []. The other is in the stage of [] are allocated by [], while other materials, labours and overhead are allocated by weight."

The Jiangsheng EQR does not disclose what the "two exceptions" for the allocation of costs by weight are likely to be.

Jiangsheng's response is central to Alushapes' concern about the cost allocation for micro-extrusions.

Jiangsheng states clearly that its overall site overhead and other costs are allocated based only on weight (kg of extrusion) produced. This is an essential flaw and underpins the unfair, cross-subsidised "flat pricing" approach introduced by the Chinese exporters in the Australian market from the early 2000s i.e. the selling price per kg is an average figure applied across the entire extrusion size range, whether small or large profiles. This severely under-values the actual cost of micro-extrusions which are effectively cross-subsidised in the Australian market by the higher volume larger extrusions – hence Alushapes' anti-dumping claims.

III. Zhongya

In its EQR, Zhongya refers to a "coefficient" (P.43) which requires clarification. In the absence of a better understanding of what is meant by the "coefficient", it is assumed this could relate to a weight based factor applied to the facilities producing the micro-extrusions. Again, in this case, a cost allocation based on weight is extremely inaccurate and greatly underestimates the real cost of manufacturing the micro-extrusions in question.

In both the cases of Jiangsheng and Zhongya, it appears that the basis of cost allocation to their micro-extrusion manufacture is severely flawed and results in heavy under-allocation of cost to micro-extrusion manufacture. Both manufacturers treat their respective (very large) extrusion factory sites as one profit/cost centre. They are therefore unable to reflect accurately and to differentiate between the cost of manufacture of their many different extrusion products. The normal extrusion range from large to very small profiles, consists respectively of extrusions which are very easy to manufacture at high speed and high yield (hence low cost per kg), to being much slower to manufacture with lower yield (hence higher cost per kg) as in the case of micro-extrusions. Equally, the cost of powder coating is significantly higher per kg for micro-extrusions than general extrusions.

IV. Alushapes' micro-extrusions

Alushapes application has demonstrated that it can reasonably measure the cost of producing micro-extrusions. Aluminium extrusion manufacturers generally do measure and record production via their range of dies in order to understand the efficiency (and cost) of their extrusion lines. The production cost of micro-extrusions significantly exceeds that for general aluminium extrusions – as reflected in Alushapes' application for measures.

V. Packaging costs

It would appear that Jiangsheng has identified (at Section E-2 of EQR) that it has incurred additional costs associated with the packaging of its exports to Australia that it does not incur on domestic sales. Zhongya, however, contends that it has the same packaging costs for domestic and export sales.

Alushapes is aware that the Anti-Dumping Commission ("the Commission") has established in past investigations (for example, Investigations 362 and more recently, 482) that exporters incur additional costs associated with the export packaging of aluminium extrusions (including for wooden crates and steel stillages, with the latter often non-returnable).

It is Alushapes' expectation that these costs are incurred for the export of micro-extrusions to Australia and the exporters' normal value requires adjustment for these additional costs as incurred.

VI. Recommendation

Alushapes is requesting the Commission to require the exporters Jiangsheng and Zhongya to identify their production costs for micro-extrusions manufactured on their respective extrusion lines. The use of production costs reflecting general production "stages" of the aluminium extrusion production process and their cost allocation by weight understates the real cost of production of micro-extrusions and cannot be accepted for the purposes of Investigation 542.

Alushapes further acknowledges Jiangsheng's identification of the additional costs associated with export packaging of the goods for supply to Australia.

We also note that there is no indication given in either case about the relationship between cost and pricing as applied to exports to Australia.

If you have any questions concerning this submission, please do not hesitate to contact me on 0412 291 552.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Wolf Breit', is written over the text 'Yours sincerely'.

Wolf Breit
Managing Director