

6 August 2020

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Public File

Dear Ms Yang

Investigation 542 – Responses from Chinese Exporters

I refer to your recent discussions with Aluminium Shapemakers Pty Ltd (“Alushapes”) representative Mr John O’Connor concerning the status of Investigation No. 542 and the level of cooperation as reflected in the Exporter Questionnaire Responses (“EQR”) of Guangdong Jiangsheng Aluminium Co., Ltd (“Jiangsheng”) and Guangdong Zhongya Aluminium Co., Ltd (“Zhongya”).

Alushapes has detailed in its letter of 29 May 2020 (EPR Document 0101) that the responses of the two Chinese exporters to provide cost data on the basis of average production costs is inadequate for this investigation. As you would be aware – including from statements included in Alushapes’ application for measures – the Chinese exporters of aluminium extrusions have operated a “flat pricing” strategy across the entire range of goods produced and exported. This strategy involves high-volume, low priced aluminium extrusions cross-subsidizing low volume, high-value products (i.e. micro-extrusions). This cross-subsidisation occurs at both the mill finished and the powder coating stages of production.

The Chinese exporters have adopted an “average price” in \$ per kilogram across the entire size range, based upon cost allocation by weight. This means that light weight extrusions (i.e. micro-extrusions) are not levied with the actual higher machine time and overhead costs that should be correctly attributed to their manufacture.

This strategy and pricing behaviour has:

- severely disadvantaged all Australian extruders, resulting in only Alushapes continuing to manufacture hollow micro-extrusions. All other local manufacturers source their micro-extrusions from cross-subsidised exporters;
- encourages the export of hollow micro-extrusions at below the fully-absorbed cost of production and Selling expenses (when considered on a full-absorption cost basis); and
- motivated Alushapes’ anti-dumping submission which is now the subject of Investigation No. 542.

Alushapes has detailed its concerns about EQR’s for the two cooperative exporters in its submission of 29 May 2020. Alushapes requests that the Anti-Dumping Commission (“the Commission”) requires the Chinese exporters to provide it with the correct allocation of costs for micro-extrusions, both mill finished and powder coated and not just average costs based on weight as is presently the case.

I understand that the current lockdown requirements imposed in Victoria severely impact the Commission's ability to conduct a rigorous investigation into Alushapes claims of dumping as detailed in its application. However, it is important that the resources of the Commission are focused to undertake an investigation as to the correct costs associated with the production and sales of micro-extrusions and not merely "notional" costs as been furnished by the two Chinese exporters to date.

I would encourage you to require the cooperating exporters to revise the information provided in the EQRs to reflect the correct production and selling costs associated with the goods the subject of the investigation – and not the broader average costs for aluminium extrusions which are **not** under investigation here.

I welcome your advice as to what actions the Commission is pursuing to seek the correct and relevant information from the two Chinese exporters of micro-extrusions to Australia. Please do not hesitate to contact me if you wish to discuss this matter further on 0412 291 552.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Wolf Breit', with a stylized flourish at the end.

Wolf Breit
Managing Director