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Public File

Dear Ms Yang

Investigation 542 – Submission by Guangdong Jiangsheng Aluminium (Australia) Pty Ltd

I refer to the submission made by Guangdong Jiangsheng Aluminium (Australia) Pty Ltd (“JS Aluminium”) dated 24 August 2020. Aluminium Shapemakers Pty Ltd (“Alushapes”) seeks to comment on some of the matters referred to by JS Aluminium.

(i) Alushapes production capability

JS Aluminium states that Alushapes “....does not have the throughput to be cost efficient and competitive on price”. This statement is completely false and is based upon a limited knowledge of Alushapes business. Alushapes is the only remaining extruder to manufacture micro-extrusions for the Australian market, particularly flyscreen profiles. All other Australian extruders whether large or small have discontinued with the manufacture of micro-extrusions, or have never produced the hollow micro-extrusion range as they are unable to compete with the dumped Chinese exports.

The manufacture of micro-extrusions is a specialised process that requires dedicated extrusion capability – which Alushapes has invested in.

(ii) Allocation of costs

JS Aluminium has indicated its opposition to the principles of activity-based costings and asserts that Alushapes request for true production costs associated with the manufacture of micro-extrusions be aggregated with all other costs is “outrageous and unprecedented”. Alushapes submits that the true costs associated with production extruder-time, maintenance, etc for the micro-extrusions is accurately recorded.

As Alushapes has identified in its application, the Chinese exporters introduced “flat-pricing” based on costs averaged across the full size range in the early 2000s (and still practiced today), forcing Australian extruders to follow suite in order to protect market share. Until that time the Australian extrusion industry was applying “cost-plus” pricing. This cost-plus pricing was based on the actual production costs which reflect different costs of production across the extrusion size ranges the highest costs applying to micro-extrusions, . With thin-walled micro-extrusions (e.g. flyscreen profile production) the cost/kg of extrusion production rises exponentially the thinner the wall thickness until the aluminium is no longer able to flow through the die as the die opening is too thin. These are the physical and technical realities of the aluminium extrusion process, and has nothing to do with scales of production economy. Cost-plus pricing is the usual pricing practice in markets more protected from the “flat-pricing” strategies of the Chinese e.g. USA and Europe.

The fallacy of average pricing also applies very markedly to the surface treatments of powder coating and anodising. The thinner the wall thickness, particularly with hollow micro-extrusions (e.g. flyscreen profiles) the ratio of external surface area per meter of length compared with the kg/meter of length of extrusions rises exponentially the lighter the extrusion, viz. the micro-extrusion end of the range. The most modern, largest, high technology powder coating plants in Australia are at least 3-6 times more costly than the dumped powder coating costs (which are not determined on a fully-absorbed cost basis) applied to hollow micro-extrusions from the comparable Chinese plants.

(iii) Production lines

JS Aluminium contends that Alushapes suggested approach (i.e. not using average costs) “..ignore(s) the production volumes of all other extrusions that are manufactured on the same production lines and in the same production workshops as the subject goods”. This comment reveals a market ignorance of the extrusion process and how extrusion businesses are set up and run. In the Chinese operations in question micro-extrusions would not be run on the same production lines as large extrusions. Likewise in Australia, the different size ranges of extrusions require specialised equipment and expertise and are therefore not run on the same production lines and are usually run in different workshops.

It is not commonplace for micro-extrusions to be run on large extrusion presses as suggested by JS Aluminium.

(iv) Limited product range

JS Aluminium suggests that “*It is rare for an aluminium extruder to focus on a limited size or product range.*” In the State influenced command economy countries such as China and Russia, very large scale operations have been established. The costing methodologies in these economies has also been very broad brush – hence the average cost approach. In historically free enterprise, democratic countries, where it is recognised that SME companies are the primary source of employment and GDP growth, large companies have, if anything, been broken into smaller operating businesses to obtain greater operating efficiencies. The assertions made on behalf of JS Aluminium demonstrate a lack of understanding of the manufacture of aluminium extrusions.

(v) Average costing should not be accepted

JS Aluminium further comments that “*Goods are simply manufactured after passing through different production stages where material, labour and overhead costs are recorded on an actual basis. As the goods transfer between different production stages/workshops, the manufacturing cost of a product is the cost from the last production stage.*” These comments are simplistic and very generic.

If JS Aluminium comments about costs being recorded on each production stage were in fact correct, then the costs of micro-extrusions would be recorded. A focused manufacturer would indeed – as Alushapes does – record the production timeframes associated with new and varying extrusion models. JS Aluminium’s comments therefore are considered to not reflect what the aluminium extruder would indeed record as to the production time associated with micro-extrusions. Alushapes does not consider that a manufacturer would only undertake averaging production costs across the full size range of extrusions (including the surface treatment costs) as this would not accurately reflect actual costs incurred. Alushapes has highlighted in its anti-dumping application that the cross-subsidisation of the hollow micro-extrusions by the large, much higher volume larger extrusions, has involved an ongoing practice by Chinese exporters. The goods the subject of this investigation do not reflect the full range of aluminium extrusions – it is limited to micro-extrusions only and average costs for all aluminium extrusions manufactured by the exporter do not reflect the CTMS the subject goods.

(vi) Closing remarks

Alushapes has demonstrated in its application for measures that the CTMS micro-extrusions involves significantly greater costs than simple average costs for a broad range of aluminium extrusions.

It is Alushapes expectation that the Commission will source relevant and accurate costs for micro-extrusions from the Chinese exporters that reflect the fully absorbed CTMS the subject goods.

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', with a stylized, cursive script.

Wolf Breit
Managing Director