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Mr Rhys Piper
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For Public File

Dear Mr Piper

Investigation 542 – Guangdong Jiangsheng Aluminium Co., Ltd exporter verification report

I. Exporter verification – Jiangsheng

I refer to the Guangdong Jiangsheng Aluminium Co., Ltd (“Jiangsheng”) exporter verification report recently placed on the electronic public record (“EPR”) in Investigation No. 542 (refer EPR Document No. 022).

Alushapes Pty Ltd (“Alushapes”) has reviewed the Jiangsheng exporter verification report and is disappointed with the methodology followed and subsequent acceptance of inadequate information relied upon for determining Jiangsheng’s normal value.

II. Correct cost allocation

It may be recalled from Alushapes submission dated 31 August 2020 (EPR Document No. 017) that Alushapes did not consider that Jiangsheng’s proposed allocation of costs based on the weight of extrusions would result in the goods under investigation being correctly evaluated resulting in these goods being heavily undervalued (i.e. the true manufacturing costs, aside from their raw material content and direct labour, of the aluminium micro-extrusions, resulting from the time-consuming extrusion process, would not be accurately reflected in the Cost-to-Make (CTM))

It would appear from comments in the Jiangsheng verification report that the CTM of the micro-extrusions have been included in the broader “general aluminium product range” and that also overheads have been allocated “*based on the weight of extrusions produced as the company does not internally distinguish between micro and general aluminium extrusions*”.

Alushapes’ gravest concerns have therefore been realised.

It has been Alushapes’ strongly-held position that the Anti-Dumping Commission (“the Commission”) should not accept an average costing approach based upon weight for micro-extrusions from either Chinese exporter in Investigation 542. This approach significantly understates the CTMS of the subject goods and results in a negative dumping margin finding.

It is apparent from the Jiangsheng exporter verification report that the Commission has accepted Jiangsheng’s average costing methodology for the micro-extrusions and calculated normal value on the basis of weighted-average costs across all of Jiangsheng’s aluminium extrusions manufacturing operation.

III. Domestic sales suitability

The Commission is required to examine whether Jiangsheng's domestic sales of micro-extrusions have been made in the ordinary course of trade (and to determine an applicable level of profit across the investigation period). The Commission has indicated in the Jiangsheng report that it has not undertaken this requirement due to the particular market situation claim.

Alushapes would highlight that the ordinary course of trade test will be tainted due to the incorrect basis for cost allocation of Jiangsheng's CTM micro-extrusions. The CTM must be corrected to reflect activity-based costing associated with additional extruding times and other production related costs, and thus the higher allocation of overheads and manufacturing costs (other than the direct raw material content and direct labour per extrusion length), to accurately report Jiangsheng's CTMS for micro-extrusions.

In the absence of the correct cost allocations, Jiangsheng's "average costing" methodology substantially (and materially) understates the true cost of manufacturing micro-extrusions.

IV. Powder coating

The Jiangsheng report provides minimal insight as to the cost of powder coating incurred by Jiangsheng. The report indicates that powder coating "is allocated by area". This does not address Alushapes' key concern about the true cost of powder coating by the Chinese exporters.

In the lead-up to the proposed Commission verification with Alushapes (i.e. March 2020) Alushapes provided the Commission with detailed comparisons between Chinese powder coating costs and Australian powder coating costs.

The following depicts the powder coating costs per 5 metre length:

- Chinese A\$xxxx per length (unchanged for 10 years)
- Australian historically minimum A\$xxxx per length, in 2020 minimum A\$xxxx per length.

The Chinese powder coating costs for micro-extrusions are undervalued and do not reflect the actual cost of the powder coating process. This understatement of costs results in a significantly undervalued CTMS powder-coated micro-extrusions exported to Australia. As such, the determined normal value for Jiangsheng (and any subsequent dumping margin calculation) cannot be relied upon.

V. Freight

It is a common practice to load the standard 6.5m length aluminium extrusions into 40ft containers leaving over 5m of spare space for the 5m length micro-extrusions to be included in the back of the same container. The standard extrusions absorb the full cost of the container, thereby giving the micro-extrusions a "free ride", another element of cross-subsidisation to add to the dumping margin.

Alushapes submits that the cost of freight must be recognised and included for the goods under consideration and exported to Australia.

VI. Conclusion

Alushapes respectfully rejects the Commission's preliminary assessment of Jiangsheng's CTMS as detailed in the exporter verification report (EP Document 022). Jiangsheng's treatment of costs to manufacture micro-extrusions based upon an averaging of all aluminium extrusions produced from Jiansheng's 19 extrusion presses does not accurately depict the extrusion machine time in the manufacturing process and other manufacturing costs. Similarly, allocated overhead costs have been undervalued for micro-extrusions due to the averaging methodology used.

Additionally, the Commission has failed to accurately assess and test Jiangsheng's powder coating costs as previously referenced by Alushapes as being undervalued. Alushapes further requests the Commission to examine the undervaluing of export shipment costs through free-riding of 40ft containers that has also not been taken into account.

Alushapes requests the Commission to re-examine each of the cost allocation items referenced in this submission and benchmark powder coating costs to accurately assess whether verified costs reflect actual costs incurred.

If you have any questions concerning the matters raised in this submission, please do not hesitate to contact me on 0412 291 552 or Alushapes' representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

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

Wolf Breit
Managing Director