



CUSTOMS ACT 1901 - PART XV B

TERMINATION REPORT
NO. 542

ALLEGED DUMPING OF ALUMINIUM MICRO-EXTRUSIONS
EXPORTED TO AUSTRALIA FROM
THE PEOPLE'S REPUBLIC OF CHINA
BY
GUANGDONG JIANGSHENG ALUMINIUM CO LTD and
GUANGDONG ZHONGYA ALUMINIUM CO LTD

March 2021

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ABBREVIATIONS

Abbreviation / short form	Full reference
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
the Act	<i>Customs Act 1901</i>
AluShapes	Aluminium Shapemakers Pty Ltd
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CON 542	<i>Consideration Report No. 542</i>
CTM	cost to make
CTMS	cost to make and sell
DDP	Delivered Duty Paid
EPR	electronic public record
GAAP	generally accepted accounting principles
GOC	Government of China
Guangdong Jiangsheng	Guangdong Jiangsheng Aluminium Co Ltd
Guangdong Zhongya	Guangdong Zhongya Aluminium Co Ltd
the subject exporters	Guangdong Jiangsheng Aluminium Co Ltd & Guangdong Zhongya Aluminium Co Ltd
the goods	aluminium micro-extrusions the subject of the application
injury analysis period	from 1 January 2016
investigation period	1 January 2019 to 31 December 2019
LME	London Metals Exchange
MCC	model control code
the Minister	the Minister for Industry, Science and Technology
MJP	Major Japanese Port
the Manual	the <i>Dumping and Subsidy Manual</i>
the Regulation	<i>Customs (International Obligations) Regulation 2015</i>
REP 442	<i>Anti-Dumping Commission Report No. 442</i>
REP 543	<i>Anti-Dumping Commission Report No. 543</i>
REQ	response to the exporter questionnaire
SG&A	selling, general and administrative
SIE	state invested enterprise
SOE	state owned enterprise
VAT	value-added tax
WTO	World Trade Organization

1 SUMMARY AND CONCLUSIONS

1.1 Introduction

This report has been prepared in response to an application by Aluminium Shapemakers Pty Ltd (AluShapes) for the publication of a dumping duty notice in respect of certain aluminium micro-extrusions (the goods) that have been exported to Australia from the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co Ltd (Guangdong Jiangsheng) and Guangdong Zhongya Aluminium Co Ltd (Guangdong Zhongya).

AluShapes alleged that the Australian industry for aluminium micro-extrusions has experienced material injury caused by aluminium micro-extrusions exported to Australia from China by Guangdong Jiangsheng and Guangdong Zhongya (collectively, the subject exporters) at dumped prices.

1.2 Authority to make decision

Division 2 of Part XVB of the *Customs Act 1901* (the Act)¹ describes, among other things, the procedures to be followed and the matters to be considered by the Commissioner of the Anti-Dumping Commission (the Commissioner) when conducting investigations in relation to the goods covered by an application under section 269TB(1). The Anti-Dumping Commission (the Commission) has prepared this report to support the Commissioner in his consideration of the application, pursuant to the Commission's function specified in section 269SMD.

1.2.1 Application

On 6 January 2020, AluShapes lodged an application alleging that the Australian industry has experienced material injury caused by aluminium micro-extrusions exported to Australia from China by the subject exporters at dumped prices.

Having considered the application and further information provided by AluShapes, the Commissioner decided not to reject the application. On 6 February 2020, the Commissioner initiated an investigation into the alleged dumping of aluminium micro-extrusions from China by the subject exporters. *Consideration Report No. 542* (CON 542) and the public notice (Anti-Dumping Notice (ADN) No. 2020/13) provide further details relating to the initiation of the investigation. These documents are available on the Commission's website at www.adcommission.gov.au.²

1.2.2 The goods (Chapter 3)

The subject goods of this report are further described in Chapter 3 of this report.

¹ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

² Electronic public record (EPR) 542, document nos. [2](#) and [3](#) refer.

1.2.3 Dumping assessment (Chapter 4)

The Commission has found that a particular market situation exists in the Chinese domestic market for the goods, which renders domestic sales not “suitable” for the purposes of section 269TAC(1). The Commission has also found that the cost of aluminium in China in the records of the subject exporters do not reflect competitive market costs. The Commission has therefore replaced those costs in the subject exporters’ records by reference to a benchmark.

The Commission’s assessment of dumping margins is set out in Table 1.

Country	Exporter	Dumping margin
China	Guangdong Jiangsheng Aluminium Co Ltd	-25.7%
	Guangdong Zhongya Aluminium Co Ltd	-20.4%

Table 1: Dumping margins

As a result of its analysis, the Commission has established that the goods exported by the subject exporters were not at dumped prices.

1.3 Conclusion

Section 269TDA provides that the Commissioner must terminate an investigation if all dumping margins found during an investigation are negligible. Based on the findings set out in this report, the Commissioner has terminated the investigation in relation to the subject exporters, in accordance with section 269TDA(1)(b)(i), on the basis that no dumping has been found to have occurred.

As the Commissioner is required to terminate the investigation due to the absence of dumping, the conditions in the Australian market and the economic condition of the Australian industry have not been further analysed in this report.

2 BACKGROUND

2.1 Initiation

On 6 January 2020, AluShapes lodged an application under section 269TB(1) seeking the publication of a dumping duty notice in respect of aluminium micro-extrusions exported to Australia from China by the subject exporters. AluShapes provided further information in support of the application under section 269TC(2A) on 17 January 2020.

AluShapes alleged that the Australian industry has experienced material injury caused by exports of aluminium micro-extrusions from the subject exporters at dumped prices.

The Commissioner was satisfied that the application complied with section 269TB(4). The Commissioner therefore decided not to reject the application and initiated the present investigation on 6 February 2020. ADN No. 2020/13 and CON 542 provide further details relating to the initiation of the investigation.³

In respect of the investigation:

- the investigation period for the purpose of assessing dumping is 1 January 2019 to 31 December 2019 (investigation period);⁴ and
- the injury analysis period for the purpose of determining whether material injury to the Australian industry has been caused by exports of dumped goods is from 1 January 2016 (injury analysis period).

2.2 Conduct of the investigation

2.2.1 Preliminary affirmative determination

On 17 April 2020, the Commissioner published a Day 60 Status Report.⁵ The Commissioner did not make a preliminary affirmative determination at that time, or at a later date prior to this SEF, because he was not satisfied, under section 269TD(1)(a), that there appeared to be sufficient grounds for the publication of a dumping duty notice.

2.2.2 Australian industry

At the initiation stage, the Commissioner was satisfied that the applicant for the investigation, AluShapes, represents the Australian industry producing like goods to the goods the subject of the investigation.⁶ The Commission elected not to conduct an onsite industry visit.

³ EPR 542, document nos. [2](#) and [3](#) refer.

⁴ Section 269T(1) refers.

⁵ EPR 542, document no. [7](#) refers.

⁶ EPR 542, document no. [2](#), page 8 refers.

2.2.3 Importers

The Commission observed that the relevant tariff classifications and statistical codes for aluminium extrusions do not include a specific classification for aluminium micro-extrusions.⁷ The Commission therefore analysed the Australian Border Force (ABF) import database in respect of aluminium extrusion imports generally, and from that broader sample of imports, it identified potential importers of the goods from the subject exporters.

Those importers who purchase the specific sub-category of the like goods were contacted and invited to participate in the investigation. The Commission received an importer questionnaire response from Darley Aluminium Trading Pty Ltd. The Commission undertook a desktop verification for this importer. The verification report is available on the public record.⁸

The Commission also placed a copy of the importer questionnaire on its website for completion by other importers who were not contacted directly.

2.2.4 Exporters

The Commission provided the subject exporters for this investigation an exporter questionnaire and associated spreadsheets for completion. The exporter questionnaire and associated spreadsheets were also placed on the Commission website.

Both of the subject exporters lodged a response to the exporter questionnaire (REQ) by the requested due date. Non-confidential versions of the REQs are available on the Commission website.⁹ Due to international travel restrictions, the Commission was unable to undertake onsite verification activities. The Commission conducted desktop verifications of the data provided by the subject exporters. The exporter verification reports are on the Commission website.¹⁰

2.3 Submissions received from interested parties

The Commission has received submissions from interested parties throughout the course of the investigation, as set out in the table below. Non-confidential versions of all submissions received are available on the EPR.

Submission from	Date published on EPR	Document No.
Guangdong Jiangsheng	13 March 2020	5
AluShapes	16 March 2020	6
AluShapes	2 June 2020	10
Guangdong Jiangsheng	26 June 2020	12
AluShapes	10 August 2020	14

⁷ EPR 542, document no. [2](#), pages 10-11 refer.

⁸ EPR 542, document no. [13](#) refers.

⁹ EPR 542, document nos. [8](#) and [9](#) refer.

¹⁰ EPR 542, document nos. [22](#) and [23](#) refer.

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Guangdong Jiangsheng	25 August 2020	15
AluShapes	31 August 2020	17
Guangdong Jiangsheng	10 September 2020	18
AluShapes	28 September 2020	19
AluShapes	4 March 2021	24
AluShapes	4 March 2021	25

Table 2: Submissions received

The Commission has had regard to all submissions in preparing this termination report.

3 THE GOODS

3.1 The goods the subject of the application

The table below outlines the goods as described in the application and the tariff classifications the goods are generally classified to.

Full description of the goods, as subject of the application			
Aluminium micro-extrusions, in the form of hollow profiles, weighing less than 200 grams per metre (<0.2kg/m) in length, whether or not alloyed, mill finish, powder coated, anodised, or further coated.			
Further information			
Examples of hollow aluminium micro-extrusions in end use applications include flyscreen frame profiles (as used for domestic window flyscreens) and tubes (as used for television aerials). The aluminium micro-extrusions are typically made from aluminium alloys 6060, 6063, 6005 and 6106. The temper of the alloy is typically T5, although some T6 may also be used in micro-extrusion production. Solid aluminium micro-extrusions (including angles, rectangles, solid rounds and squares) are not covered by this application.			
Tariff classification (<i>Schedule 3 of the Customs Tariff Act 1995</i>)			
Tariff code	Statistical code	Unit	Description
7604.10.00	06	Kg	Non alloyed aluminium bars, rods and profiles
7604.21.00	07	Kg	Aluminium alloy hollow angles and other shapes
7604.21.00	08	Kg	Aluminium alloy hollow profiles
7604.29.00	09	Kg	Aluminium alloy non hollow angles and other shapes
7604.29.00	10	Kg	Aluminium alloy non hollow profiles
7608.10.00	09	Kg	Aluminium tubes and pipes, not alloyed
7608.20.00	10	Kg	Aluminium tubes and pipes, alloyed
7610.10.00	12	Kg	Aluminium structures and parts thereof (including profiles and tubes)
7610.90.00	13	Kg	Other aluminium structures and parts thereof

Table 3: The goods as described in the application

3.2 Model Control Codes

The Commission has used a model control code (MCC) structure in order to identify key physical characteristics for, among other things, model matching when comparing export prices and normal values.¹¹

All interested parties in this investigation were requested to provide sales and cost data in accordance with the MCC structure detailed in .

¹¹ ADN No. 2019/132 and the Manual, p. 60 refer.

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Category	Sub-category	Identifier	Sales Data	Cost Data
Form	Flyscreen	F	Mandatory	Mandatory
	Hollow tube	H		
Finish	Mill	M	Mandatory	Mandatory
	Powder coated	P		
	Anodised	A		

Table 4: MCC for aluminium micro extrusions¹²

¹² ADN No. 2019/132 also included a reference to “Key Category”. This aspect of the MCCs is no longer relied upon.

4 DUMPING INVESTIGATION AND VARIABLE FACTORS

4.1 Finding

The Commissioner's findings in relation to aluminium micro-extrusions exported to Australia during the investigation period by Guangdong Jiangsheng and Guangdong Zhongya are summarised in Table 5.

Exporter	Dumping margin
Guangdong Jiangsheng Aluminium Co Ltd	-25.7%
Guangdong Zhongya Aluminium Co Ltd	-20.4%

Table 5: Summary of dumping margins

The Commission's calculations of export prices, normal values and dumping margins are set out at **Confidential Attachment 1**.

4.2 Introduction and legislative framework

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of goods are determined under sections 269TAB and 269TAC, respectively.

Section 269TAB(1)(a) provides that, subject to certain conditions, the export price of any goods exported to Australia is the price paid or payable for the goods by the importer, other than any part of that price that represents a charge in respect of the transport of the goods or any other matter arising after exportation. Where the conditions in section 269TAB(1)(a) are not met, such as when the export transactions are not arms length, the export price may be determined under sections 269TAB(1)(b) or (c). Section 269TAB(3) provides that, where the export price cannot be established under those provisions, the export price is determined having regard to all relevant information.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as being at arms length. These circumstances include where:

- there is any consideration payable for, or in respect of, the goods other than price;
- the price appears to be influenced by a commercial or other relationship between the buyer (or an associate of the buyer) and the seller (or an associate of the seller); or
- in the opinion of the Minister for Industry, Science and Technology (the Minister), the buyer (or an associate of the buyer) will, directly or indirectly, be reimbursed, compensated, or otherwise receive a benefit for, or in respect of, the whole (or any part of) the price.

Further, where an importer subsequently sells the goods at a loss, the Minister may treat those circumstances as indicating that the importer will be reimbursed, compensated or otherwise receive a benefit. If the goods are sold at a loss, the Minister must have regard to the likelihood that the importer will recover both the price paid to the exporter and the costs necessarily incurred in the importation and sale of the goods within a reasonable time.

Section 269TAC(1) provides that, subject to certain conditions, the normal value of the goods is the price at which like goods are sold in the domestic market of the country of export.

However, section 269TAC(1) cannot be used to calculate the normal value of the goods, if one of the circumstances in sections 269TAC(2)(a) or (b) is relevant. Of particular relevance to this report is section 269TAC(2)(a)(ii), which sets out that section 269TAC(1) may not be “suitable for use in determining a price” because there is a market situation in the country of export. The concept of market situation is explained further below.

Section 269TAC(2)(c) provides for the normal value to be a constructed amount, being the sum of the cost of production or manufacture of the goods in the country of export, and, on the assumption that the goods had been sold for home consumption in the ordinary course of trade (OCOT) in the country of export instead of being exported, the selling, general and administrative (SG&A) costs and the profit on that sale.

The dumping margins set out in this report have been determined in accordance with section 269TACB.

4.3 Particular market situation

4.3.1 Applicable legislation

Under section 269TAC(1), the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the OCOT for home consumption in the country of export in sales that are arms length transactions or, if like goods are not so sold by the exporter, by other sellers of like goods.

However, if, in accordance with section 269TAC(2)(a)(ii), the Minister is satisfied that the normal value of the goods exported to Australia cannot be ascertained under section 269TAC(1) because ‘the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under [section 269TAC(1)]’, the normal value is such amount as the Minister determines in accordance with sections 269TAC(2)(c) or 269TAC(2)(d).

4.3.2 The Commission’s assessment

Upon initiation, the Commission sent a questionnaire to the Government of China (GOC) requesting the following information in relation to the aluminium micro-extrusions market in China:

- identification of the names of the government departments, bureaus or agencies that are responsible for the administration of any GOC measures concerning the aluminium industry;
- details of all manufactures/traders of aluminium micro-extrusions in China including location, whether they are a state invested enterprise (SIE) or state owned enterprise (SOE), production quantity and whether there is GOC representation in the business;
- a detailed description of the domestic Chinese aluminium micro-extrusions industry and the relevant upstream industries;
- quarterly import and export data (volume and value);

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- details about the operation of the *Price Law of the People's Republic of China*;¹³ and
- identification of any GOC initiatives and/or policies that affect the aluminium micro-extrusions industry, including raw materials used in its manufacture.

The GOC did not provide a response to any of the questions related to an assessment of market situation.

The Commission has given consideration to conditions:

- within the broader Chinese aluminium industry and the degree to which these may impact on prices and / or raw material costs;
- in the market for the raw materials used to produce aluminium micro-extrusions; and
- in the market for aluminium micro-extrusions itself.

Having regard for whether a market situation exists in relation to the Chinese aluminium micro-extrusions market during the investigation period, the Commission has relied on all the evidence available, as well as the findings of previous cases conducted by the Commission.

The Commission considers that the situation identified in the aluminium extrusions market in the recent continuation inquiry, set out in *Anti-Dumping Commission Report No. 543* (REP 543), and the findings contained in Appendix 1 to REP 543, are equally applicable to aluminium micro-extrusions. The Commission has reached this conclusion because:

- both of the subject exporters are integrated manufacturers of aluminium extrusions generally, producing a wide range of aluminium extrusions, of which only a small percentage is aluminium micro-extrusions;
- the inquiry period examined for REP 543 is the same as the investigation period for this investigation; and
- raw aluminium billet and ingot accounts for approximately between 75 and 90 per cent of the weighted average cost to make for aluminium micro-extrusions, and therefore distortions in the primary aluminium market substantially result in distortions for the goods.¹⁴

This approach was adopted because of the lack of available information concerning certain aspects of the Chinese aluminium micro-extrusions markets, due in part, to the GOC not providing the Commission with a response to the government questionnaire.

Based on the findings of REP 543, it is the Commission's view that a particular market situation existed in respect of the domestic market for aluminium micro-extrusions in China for the investigation period.

¹³ 《中华人民共和国价格法》 [*Price Law of the People's Republic of China*] National People's Congress, Order no. 92, 1 May 1998.

¹⁴ EPR 543, document no. [61](#), Non-Confidential Appendix 1 refers.

4.3.3 Suitability of domestic sales for use in determining a normal value under section 269TAC(1)

Where a particular market situation is found, pursuant to section 269TAC(2)(a)(ii), the Commission must also consider whether, because of the situation in the Chinese market, sales of aluminium micro-extrusions in China are not suitable for determining a price under section 269TAC(1).

In undertaking its assessment of whether sales are “suitable” for the purposes of section 269TAC(1), the Commission has considered the relative effect of the market situation on both the domestic sales and export sales. If domestic sales and export sales are not equally impacted by the market situation, such a finding may render domestic sales not “suitable” for the purposes of section 269TAC(1). The Commission considers this approach is consistent with Australia’s obligations under the World Trade Organization (WTO) *Anti-Dumping Agreement*¹⁵ and the WTO Panel’s interpretation of the obligations set out in *Australia – Anti-Dumping Measures on A4 Copy Paper*.¹⁶

In assessing the relative effect of the particular market situation on domestic and export prices, the Commission has compared the existing relationship between price and cost in each market. Those relationships both define and are defined by the prevailing conditions of competition in each market. It is important that the relevant factual circumstances of each price, including its relationship with cost, is considered within the proper context of the relevant market: For the domestic sales price, the relevant market is the domestic market of the exporting country (i.e. China); For the export price, the relevant market is that in the country into which the goods are being sold (i.e. Australia).

In undertaking this assessment of the impact of the situation in the market, the Commission has considered the prevailing conditions of competition in the domestic and export market for aluminium micro-extrusions and the existing relationship between price and cost in order to determine whether domestic and export prices can be properly compared.

4.3.4 Prevailing conditions of competition in China and Australia

When assessing the prevailing conditions of competition in China and Australia, the Commission considered a variety of sources of information provided by exporters, importers and Australian industry, as well as research undertaken by the Commission. The Commission considered the structure of each market, market conditions in respect of primary aluminium, the level of import penetration in each market and the nature of any competitive advantage arising from the market situation.

¹⁵ Agreement for the Implementation of Article VI of GATT 1994 1868 U.N.T.S. 186.

¹⁶ *Australia – Anti-Dumping Measures on A4 Copy Paper*, WTO Doc. WT/DS529/4 (4 December 2019). The Commission notes the provisions in Part XVB of the Act are to be construed, as far as its language permits, consistent with Australia’s obligations with Australia’s international agreements, adopting a broad approach to construction: *Schaefer Waste Technology Sdn Bhd v CEO Australian Customs Service* [2006] FCA 1644, [46]–[48] (Jacobson J), cited with approval in *Minister for State for Home Affairs v Siam Polyethylene Co Ltd* (2010) 270 ALR 440, [35] (Graham and Flick JJ).

Market structure: Australia

The Australian market for aluminium micro-extrusions is supplied by domestic aluminium producers, as well as aluminium micro-extrusions producers from other countries who supply Australian customers directly or via Australian based intermediaries and distributors.

Imported aluminium micro-extrusions in the Australian market are sourced from numerous countries. As indicated in CON 542, the Commission's analysis of the ABF import data and comparison with Australian industry sales data indicates that the imported goods and domestically produced goods are used by the same or similar customers. Furthermore, the domestically produced and imported aluminium micro-extrusions are easily substitutable.

Market structure: China

The Commission understands that in the Chinese market, the residential, commercial and industrial sectors represent the key areas of consumption of aluminium micro-extrusions in China. Demand for aluminium micro-extrusions in China has been increasing since 2015. Overall, the increase in living standards within China has led to a concurrent increase in demand for aluminium micro-extrusions.

In addition to these market segments, a significant volume of aluminium micro-extrusions are sold within China's electronics sector (specifically, the sector referred to as '3C electronics', standing for computer, communication and consumer electronics). The Australian market does not have the same diversity of market segments.

Market conditions for primary aluminium: Australia

The major raw material used in the production of aluminium extrusions in Australia is aluminium billet and ingot. The aluminium billet pricing offered to Australian industry is based on a combination of variables including the monthly London Metal Exchange (LME) Aluminium Official Cash Price, the Main Japanese Ports regional ingot premium (MJP), as well as alloy and billet premiums. Given the uniform basis for pricing, an important consideration in the choice of supplier is the cost of delivery, such that international suppliers may be more competitive for supply to certain locations, while domestic suppliers will be more competitive for other locations.

The Australian industry submitted that it does not source aluminium billet from China. As detailed in REP 543, the Commission understands that the GOC's value-added tax (VAT) rebate and export tariff arrangements for primary aluminium, alloy aluminium and aluminium extrusions generally (including micro-extrusions) during the investigation period continued to have the effect of discouraging exports of primary and alloyed aluminium, such that Australian industry, and other global participants in the manufacture of aluminium extrusions do not have access to the same aluminium raw materials available to Chinese manufacturers at the discounted cost evident within the Chinese market.

Market conditions for primary aluminium: China

The major raw materials used in the production of aluminium micro-extrusions in China are aluminium ingot and aluminium billet.

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The subject exporters' REQs collectively reported approximately over 161,000 tonnes of primary aluminium purchases. The exporter's purchasing data revealed that 100 per cent of the primary aluminium inputs were sourced locally.¹⁷

The Commission conducted an examination of the subject exporter's monthly primary aluminium purchases during the investigation period and compared these monthly costs with the competitive LME based benchmarks constructed for ingot and billet. When comparing the subject exporters' aluminium purchases from domestic suppliers to the constructed LME benchmarks, the Commission noted that the subject exporters paid less than the appropriate benchmark for the investigation period.¹⁸

The Commission considers, based on the information provided, that Chinese manufacturers have access to cheaper aluminium inputs than the Australian industry, due to the distortions in the Chinese primary aluminium market.

Further, as stated above, the GOC tariff and tax rates applicable to the Chinese aluminium industry value chain serve to discourage the exportation of primary and alloyed aluminium while encouraging the exportation of downstream aluminium products such as aluminium micro-extrusions.

Accordingly, the Australian industry does not have access to the same aluminium raw materials available to Chinese manufacturers at the discounted cost evident within the Chinese market.

Import penetration: Australia

The Commission examined the ABF import database to identify exporters and importers of aluminium micro-extrusions during the investigation period.¹⁹ Based on this analysis, the Commission considers that the Australian market is composed of a small number of Australian industry participants competing against a small number of exporters. There is a high degree of import penetration in the Australian market.

Import penetration: China

The Commission notes that in 2019 Australia's consumption of aluminium as a percentage of global aluminium production was less than one per cent, while the Chinese economy produced and consumed over 50 per cent of global aluminium production.²⁰ The Commission also observes that over 400 Chinese manufacturers exported aluminium extrusions to Australia during the investigation period, although only two of these are a relevant focus of this investigation.

¹⁷ Confidential Attachment – Aluminium Benchmark.

¹⁸ Confidential Attachment – Aluminium Benchmark.

¹⁹ Confidential Attachment 1 – Proper Comparison Analysis.

²⁰ Percentages extrapolated from data contained in Office of the Chief Economist, Department of Industry, Innovation and Science, *Resources and Energy Quarterly March 2020*, pp.94, 96,100.

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Given the relative size of Australia's aluminium consumption compared to China's, the Commission considers the number of Chinese manufacturers supplying the Australian market would represent only a small portion of all Chinese manufacturers.

The Commission also noted from the information provided by the subject exporters that they each maintain excess production capacity. The Commission considers that, due to the number of Chinese producers supplying the Chinese market, the low cost of the primary aluminium inputs available to those producers is materially lower than the international LME benchmark and not available to foreign producers. Australian producers/exporters therefore appear to be at a competitive disadvantage in respect of the importation of Australian aluminium extrusions into China.

Accordingly, based on the information before the Commission, it appears that import penetration in the Chinese aluminium extrusion market was low in the investigation period, relative to the Australian aluminium extrusion market.

Relationship between price and cost

During verification activities, the Commission found that Chinese exporters use the same aluminium inputs (ingot and billet) to manufacture the aluminium micro-extrusions sold into the Chinese domestic market and those exported to Australia, and that these inputs account for the vast majority of the total cost to make (CTM).²¹ The Commission compared the CTM of the aluminium micro-extrusions (by finish type) produced for sale on the domestic market for each subject exporter against the CTM of the goods produced for export to the Australian market.

The Commission observed that, for both subject exporters, across all finish types, there was negligible difference in the CTM between the goods produced for domestic consumption and those produced for export to Australia.²²

In terms of pricing in the domestic Chinese market, the Commission undertook an analysis with reference to the MCC models that aligned with the goods sold into the Australian market. The Commission observed that, during the investigation period, the quarterly weighted average prices achieved in the domestic market for the subject exporters had some differences compared to prices achieved in the export market (i.e. the Australian market).

The Commission undertook the same analysis in terms of pricing in the Australian market for the same types of like goods. The Commission observed that the quarterly weighted average prices achieved in the Australian market showed little price variance across each of the respective types.²³ Given the coincidence of cost profiles for the subject exporters, between domestic and export production, the Commission considers that where conditions

²¹ Confidential Attachment 1 – Proper Comparison Analysis – Aluminium cost % of CTM.

²² Confidential Attachment 1 – Proper Comparison Analysis – Dom v Export CTM.

²³ Confidential Attachment 1 – Proper Comparison Analysis – Export sales by MCC.

of competition are comparable between the domestic and export markets, a coincidence of pricing between the domestic and export markets would also be observed.

That this is not evidenced by the analysis described above indicates a difference in the relationship between price and cost between the Chinese and Australian markets.

To enhance this evaluation, the Commission undertook an additional analysis of the margins achieved by each exporter for each finish type in the Chinese domestic market and the Australian export market. This analysis was undertaken by calculating selling prices for both domestic and Australian export sales, and comparing these selling prices to the CTM relevant to each market.

Based on the above analysis, and consistent with the Commission's analysis in REP 543, the Commission considers that:

- there is a consistency and stability in the domestic pricing achieved by the Chinese exporters, such that no particular competitive advantage is derived by either individual manufacturer, as the reduced production costs resulting from the situation in the market appears to equally benefit both producers; and
- the variability of pricing by the subject exporters in the Australian domestic market evidences a competitive advantage enjoyed by the subject exporters due to the market situation, which allows them to engage in different pricing strategies in the Australian market.

4.3.5 Conclusion on the effects of the situation in the market

The Commission's analysis indicates that the relationship between price and cost, and the prevailing conditions of competition in China is different in comparison to the relationship between price and cost, and the prevailing conditions of competition in Australia.

Accordingly, the Commission finds that sales in the domestic Chinese market for the subject exporters are not suitable for determining a normal value, pursuant to section 269TAC(1), because they do not permit a proper comparison with the export price of the goods exported to Australia.

4.4 Constructed normal values — outline

4.4.1 Applicable legislation, policy and practice

Where the Minister is satisfied that the normal value of the goods cannot be determined under section 269TAC(1), section 269TAC(2)(c) provides that the normal value is:

- (c) ... the sum of:
 - (i) such amount as the [Minister] determines to be the cost of production or manufacture of the goods in the country of export; and
 - (ii) on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export—such amounts as the [Minister] determines would be the administrative, selling and general costs associated with the sale and the profit on that sale

As required by sections 269TAC(5A) and 269TAC(5B), the construction of normal values under section 269TAC(2)(c) is required to be undertaken in accordance with the *Customs (International Obligations) Regulation 2015* (the Regulation).

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To determine the costs of manufacture or production in relation to constructing normal values, section 43(2) of the Regulation requires that, if:

- an exporter or producer of the goods keeps records relating to the goods that are in accordance with generally accepted accounting principles (GAAP) in the country of export; and
- those records reasonably reflect competitive market costs associated with the production or manufacture of the goods;

The Minister must work out the cost of production or manufacture using the information set out in the exporter or producer's records.

It is the Commission's view that, where an exporter's records are otherwise in accordance with GAAP, and are reliable, but the records do not reasonably reflect competitive market costs associated with the production or manufacture of the goods, it is open for the Minister, if practicable, to adjust the records, so they reasonably reflect competitive market costs associated with the production or manufacture of the goods in the country of export.²⁴ In making such adjustments, the Commission considers that the Minister may have regard to all relevant information.

4.4.2 Reasonableness of exporters' costs of production

The Commission established during its verification process that the records of the subject exporters relating to the goods have been kept in accordance with GAAP in the country of export and reasonably reflect the costs associated with the production and sale of aluminium micro-extrusions.²⁵

However, the Commission's view is that, due to the influence of the GOC in the domestic market for primary aluminium, the exporters' records do not reasonably reflect competitive market costs for the production or manufacture of the goods. Specifically, the Commission considers that aluminium costs in China, which make up a major proportion of the total costs of production of aluminium micro-extrusions, are distorted by GOC influence and do not reasonably reflect competitive market costs associated with the production or manufacture of the goods in respect of section 43(2)(b)(ii) of the Regulation. Accordingly, the Commission considers it appropriate that aluminium costs relating to the costs of production in the exporters' records be adjusted to reflect competitive market costs and that the methodology outlined below be applied in making such adjustments.

4.4.3 Establishing normal values for the subject exporters

The Commission notes that, in accordance with section 269TAC(3A), the Minister is not required to consider working out the normal value of goods under section 269TAC(2)(d) before working out the normal value of goods under section 269TAC(2)(c). Where section 269TAC(1) is not available, the Commission's policy preference, as outlined at chapter 10

²⁴ See *Steelforce Trading Pty Ltd v Parliamentary Secretary to the Minister for Industry, Innovation and Science* [2018] FCAFC 20 [108]–[109] (Perram J).

²⁵ The basis for this assessment in respect of individual exporters is contained in the verification reports at EPR 542 documents. [22](#) and [23](#) refer.

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of the *Dumping and Subsidy Manual* (the Manual), is to construct normal values under section 269TAC(2)(c), in the first instance, when the cost data of exporters is available.

When considering whether it is preferable to use the price paid or payable for like goods sold by the exporters to a third country, pursuant to section 269TAC(2)(d), the Commission must be satisfied that it is an 'appropriate third country'. The Commission has regard to the following factors, to determine whether any such third country is 'appropriate':

- whether the volume of trade from the exporter to the selected third country is similar to the volume of trade from that exporter to Australia; and
- the nature of the trade in like goods between the country of export and the selected third country is similar to the nature of trade between the country of export and Australia (in considering 'nature of trade' such things as the level of trade in a third country may be relevant).²⁶

In this case, the Commission considers that the information provided by the subject exporters in their REQs does not provide a precise or sufficiently granular level of detail to determine whether a third country would be an appropriate basis on which to undertake the calculations required to determine a normal value.

Consequently, the Commission has constructed normal values under section 269TAC(2)(c), and has done so in accordance with sections 43, 44 and 45 of the Regulation, relevant aspects of which are outlined below.

4.4.4 Aluminium cost adjustment

The Commission has considered all relevant information and considers it appropriate to use the subject exporters' records, but only after an adjustment is made to the records relating to the costs of aluminium, as submitted by each exporter in its REQ. Such an adjustment ensures that the records reflect competitive market costs. In doing so, the Commission has considered the individual circumstances of each exporter's purchases of aluminium and, to the greatest extent possible, has sought to ensure that the exporter's adjusted records reflect costs that would be incurred in China without the distortion resulting from the influence of the GOC.

The Commission has established in previous cases that aluminium costs in competitive markets in Asian regions are often priced according to:

- a published price for primary aluminium;
- a regional premium;
- inland transport costs;
- a billet premium, reflecting an additional cost to convert an ingot to a billet for use in the production of the goods.

The Commission has included each of the above components in establishing a competitive benchmark cost for aluminium, as outlined below:

²⁶ The Manual, page 51.

Primary aluminium — LME cash price

The Commission has relied on the average monthly LME official cash price data sourced from Argus Metals under subscription.

Regional premium

The Commission has relied on the published MJP regional premium sourced from Argus Metals under subscription. Shipments under the MJP premium are made on a Cost, Insurance and Freight (CIF) basis. This means that the premium is inclusive of all costs associated with transporting the goods from the country of export to the destination port, except for those costs relating to port of arrival charges, and inland transport from the port of arrival to the final destination.

Inland transport costs

No exporter provided details regarding inland transport costs for primary aluminium purchases in this investigation, nor did they provide information to REP 543. In the absence of actual costs relevant to the investigation period, the Commission relied on the inland transport costs determined in the most recently completed review of measures for aluminium extrusions exported from China, as set out in *Anti-Dumping Commission Report No. 482*.

Billet premiums

The Commission has determined a billet premium using the Australian industry's billet price schedules relevant to the investigation period.

The Commission's competitive benchmark cost for aluminium is contained in **Confidential Attachment** .

Comparative advantage and disadvantage

The Commission considered whether it is appropriate to make an adjustment to the competitive benchmark to reflect any comparative advantages and disadvantages experienced by the domestic Chinese producers of aluminium.²⁷

The Commission considers that for any adjustment to the benchmark to reasonably reflect any comparative advantages and disadvantages, the Commission would need to:

- identify and quantify what the true, uninfluenced comparative advantage of the domestic Chinese market is, distinct from any advantages which are a result of the GOC influence;
- identify and quantify the comparative disadvantages of the Chinese domestic market; and
- only adjust for those 'true' comparative advantages and disadvantages.

²⁷ *Steelforce Trading Pty Ltd v Parliamentary Secretary to the Minister for Industry, Innovation and Science* [2018] FCAFC 20 [118], [125] (Perram J).

This would necessarily result in a determination of a 'net' figure in the form of an adjustment.

Noting the complexity and extent of the GOC influence in the primary aluminium market, the Commission considers it is not possible to accurately isolate and quantify what amount of any comparative advantage or disadvantage is enjoyed by the Chinese domestic producers from the information before it. Thus, in this case, the Commission considers an adjustment for comparative advantage or disadvantage is not practicable or reasonable.

4.4.5 Calculation of the aluminium cost adjustment

The aluminium costs have been determined by comparing the competitive benchmark cost to the exporter's actual costs, and applying the resulting variation as an adjustment to the exporter's records.

In cases where an exporter has purchased ingot or billet, the adjustment to the aluminium costs will be proportionate to the amount of billet and ingot purchased in the relevant period.

4.5 Guangdong Jiangsheng

The Commission conducted a desktop verification of Guangdong Jiangsheng's REQ and is satisfied that the information provided is complete, relevant and accurate. The Commission has previously undertaken onsite verification for Guangdong Jiangsheng where it was similarly satisfied that the information provided was complete, relevant and accurate.²⁸

The importer

Consistent with previous findings,²⁹ the Commission notes that while Jiangsheng Australia is named as the consignee on the bill of lading and is declared as the importer on the importation declaration to the ABF, the Commission considers that Jiangsheng Australia functions as a branch of Guangdong Jiangsheng.

In addition, the Commission has found that:

- Guangdong Jiangsheng invoices the Australian customers on a Delivered Duty Paid (DDP) basis; and
- Guangdong Jiangsheng recognises all the importation, delivery, and office management expenses in its own accounts.

Therefore, the Commission considers Guangdong Jiangsheng to be the beneficial owner of the goods at the time of importation and is, therefore, the importer.

²⁸ Investigation [442](#).

²⁹ REP 442, Guangdong Jiangsheng verification [report](#), page 8 refers.

The exporter

The Commission will generally identify the exporter as:

- a principal in the transaction, located in the country of export from where the goods were shipped and who knowingly placed the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

The Commission considers Guangdong Jiangsheng to be the exporter of the goods, as Guangdong Jiangsheng is the manufacturer of the goods that are exported to Australia. It also arranges delivery of the goods from its manufacturing facility to the port of discharge.

The Commission is satisfied that for all Australian export sales during the investigation period that Guangdong Jiangsheng was the exporter of the goods.

The Commission is satisfied that Guangdong Jiangsheng is the producer of the goods and like goods. The Commission is satisfied that the information provided by Guangdong Jiangsheng is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

MCC

Guangdong Jiangsheng was not able to provide its cost data by form, but provided its cost data by finish type in its REQ. The Commission notes that each of Guangdong Jiangsheng's production stages has its own cost centre, and the cost record can be traced back to its accounting system and audited financial statement.

The Commission notes that aluminium ingot and billet make up the majority of the CTM for mill finish extrusions, and mill finished extrusions are the feed material for anodised, powder coated and bright dip finished extrusions. During the verification process, the Commission ensured that the total for raw materials for all goods could be reconciled to the CTM from the cost ledgers and the raw materials purchases spreadsheet.

Based on the analysis and price comparability of the goods under consideration, the Commission is satisfied that domestic and export CTM is largely the same regardless of the form. Therefore, the Commission did not require Guangdong Jiangsheng to make amendments to the MCC structure.

4.5.1 Export price

In respect of Australian sales of aluminium micro-extrusions by Guangdong Jiangsheng, the Commission found that the importer does not purchase the goods from the exporter. Therefore, export prices cannot be determined under sections 269TAB(1)(a) or (1)(b). The Commission has calculated the export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the Commission has calculated the export price by reference to the DDP invoice price paid by the Australian customers, less transport and other costs arising after exportation.

For sales of aluminium micro-extrusions exported by Guangdong Jiangsheng through a domestic trader, the Commission has found that the goods have not been purchased by the importer from the exporter. Similarly, in relation to these transactions, the Commission has

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calculated the export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the Commission has established the export price using the Free on Board (FOB) invoice price paid by the domestic trader.

4.5.2 Normal value

The Commission is satisfied that, due to the situation in the domestic aluminium micro-extrusions market in China, domestic selling prices are not suitable for use in determining a normal value under section 269TAC(1). The Commission has therefore calculated a normal value under section 269TAC(2)(c) using the sum of:

- the cost-to-make (CTM) that reasonably reflects competitive market costs, in accordance with section 43(2) of the Regulation; plus
- SG&A on the assumption that the goods, instead of being exported, were sold domestically, based on Guangdong Jiangsheng's records in accordance with section 44(2) of the Regulation; plus
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

The Commission has assessed the aluminium input costs in Guangdong Jiangsheng's CTM and determined that the costs do not reasonably reflect competitive market costs associated with the production of like goods due to the influence of the GOC in the domestic Chinese market for primary aluminium.

In determining Guangdong Jiangsheng's CTM under section 43(2) of the Regulation, the Commission has applied a competitive aluminium benchmark as detailed in chapter 4.4.3.

4.5.3 Adjustments

To ensure the comparability of normal values to export prices, the Commission made adjustments pursuant to section 269TAC(9) as follows:

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packing	Deduct an amount for domestic packing
Export packing	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export handling expense	Add an amount for export handling expense
Export commission	Add an amount for export commission
Australian management fee	Add an amount for Australian management fee
Non-refundable VAT	Add an amount for non-refundable VAT
Export credit terms	Add an amount for export credit terms

Table 6: Summary of adjustments

A report covering the verification findings is available on the public record.³⁰

³⁰ EPR 542, document no. [22](#) refers.

4.5.4 Submissions

During the course of the investigation, AluShapes and Guangdong Jiangsheng made a number of submissions regarding the production cost of aluminium micro-extrusions.

AluShapes submitted that there is a much higher conversion cost manufacturing aluminium micro-extrusions when compared to the cost of manufacturing aluminium extrusions generally.³¹ AluShapes also submitted that the production costs reported by Guangdong Jiangsheng in its REQs were inaccurate, in terms of both the accuracy of the information presented, and the reasonableness of the cost allocation method.

AluShapes claims that Guangdong Jiangsheng's SG&A was allocated based on the total output weight of the extrusions produced; In AluShapes' view, the SG&A should be based on the individual product (e.g. the allocation of the expenses should determine whether they apply to the goods or non-goods). AluShapes also claims that Guangdong Jiangsheng recorded its production cost based on average costing of different production stages; According to AluShapes, the production cost should be recorded based on production timeframes associated with different extrusion models.

The basis of the above claims arises from AluShapes' own experience of manufacturing aluminium micro-extrusions in Australia. As indicated in its application,³² a net value-added assessment was used to calculate conversion costs for aluminium micro-extrusions. The calculation was based on AluShapes' engineering records (e.g. engineering records demonstrating ratio of weight of raw material and hourly product output).

In response to AluShapes' claims, Guangdong Jiangsheng submitted the following points:

- It manufactures a wide range of aluminium extrusions, including only a small percentage of aluminium micro-extrusions. It is not its practice to apply a separate costing structure which is specific only to its micro-extrusions, ignoring all of the cost savings derived from the economies of scale of its operation;
- Its production cost allocation method was verified by the Commission in the current investigation and in previous cases and is consistent with GAAP. Its production costing method is widely adopted within the extruding industry; and
- Based on its manufacturing experiences, Guangdong Jiangsheng affirms that aluminium micro-extrusions were within its normal product range; Therefore there were no extra production costs recorded for aluminium micro-extrusions; Aluminium micro-extrusions were manufactured within Guangdong Jiangsheng's normal extrusion process.³³

AluShapes submitted the following points after the publication of Guangdong Jiangsheng's verification report:

³¹ EPR 542, document nos. [10](#), [14](#), [17](#) and [19](#) refer.

³² [CON 542](#), page 15 refers.

³³ EPR 542, document nos. [15](#) and [18](#) refer.

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- AluShapes disagreed with the Commission’s finding concerning the CTMS as detailed in the verification report (i.e. the Commission’s acceptance of Guangdong Jiangsheng’s average costing standard); AluShapes requested that the Commission use Guangdong Zhongya’s costing methodology by applying a “coefficient” to reflect the cost difference in making aluminium micro-extrusions;
- AluShapes submitted that the powder coating costs were undervalued; and
- AluShapes further submitted that the shipping costs of aluminium micro-extrusions had been undervalued, suggesting that as these would be shipped together with other aluminium extrusions generally, the goods would get a “free ride”.³⁴

4.5.5 The Commission’s assessment

The Commission has established that the production cost data provided by the subject exporters was accurate, complete and relevant, and that the records of Guangdong Jiangsheng have been kept in accordance with GAAP in the country of export.³⁵ The Commission has also examined its previous verification of Guangdong Jiangsheng in prior cases and observes that the cost allocation methodologies have remained consistent.³⁶

In order to reconcile the CTM of the goods, Guangdong Jiangsheng explained to the Commission that the company operates 19 extrusion presses. Of these 19, the smaller 690T extruders are used to make the goods and other non-subject goods such as solid profiles. Guangdong Jiangsheng tracks the costs of its mill finish (and other) workshops, and is able to allocate actual costs of raw materials used to each extrusion it manufactures, including the goods. Labour is allocated by actual consumption of each specific workshop. Manufacturing overheads are allocated based on the weight of extrusions produced, as the company does not internally distinguish between micro and other types of aluminium extrusions.

The Commission was able to reconcile Guangdong Jiangsheng’s cost of the goods upwards to all aluminium extrusions by allocating actual raw material and labour costs, and allocating manufacturing overheads by weight. Whilst this may differ from the methodology contended by AluShapes, the Commission is nevertheless satisfied that all of the costs associated with the production and sale of the goods have been identified and reasonably accounted for.

The Commission also conducted a detailed analysis and a comparison with Guangdong Zhongya’s cost allocation method to assess the reasonableness of Guangdong Jiangsheng’s allocations. The Commission notes that, as Guangdong Jiangsheng does not record sufficient information at the individual press level and the same presses are used to produce both the goods and other products, a cost allocation by reference to the ratio of production output difference per press is not an accurate cost allocation methodology for Guangdong Jiangsheng’s manufacturing process.

³⁴ EPR 542, document no. [24](#) refers.

³⁵ The basis for this assessment in respect of individual exporters is contained in the verification reports at EPR 542 document no, [22](#) and [23](#) refer.

³⁶ See, for example, verification reports associated with case 442.

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The Commission therefore tested by adjusting Guangdong Jiangsheng's overhead allocation to reflect the actual difference between aluminium extrusions and aluminium micro-extrusions produced by Guangdong Zhongya (chapter 4.6 refers). Applying this test, the difference in CTM has an immaterial impact on the dumping margin calculated, as per chapter 4.5.6.

The Commission further notes that, as the raw material cost accounts for the vast majority of the weighted average CTM for aluminium micro-extrusions, even if the remaining costs are adjusted to account for the higher manufacturing overhead cost contended by AluShapes (i.e. over and above the actual costs reported and verified by the Commission), it would have an immaterial impact on the dumping margin.

In relation to the SG&A cost allocation for Guangdong Jiangsheng, the Commission is satisfied that Guangdong Jiangsheng allocated SG&A to each MCC using the Commission's standard method (as per the formulas in G-4.2 of the REQ). That is, a ratio between sales revenue and sales quantity over the investigation period. The Commission was also able to trace Guangdong Jiangsheng's SG&A costing record to its 2019 audited financial statements.

In relation to the undervaluing of export shipping costs, the Commission notes that it is the standard international freight practice to charge as per total weight, regardless of the container packing method. The Commission also notes that the trading terms are identified as FOB, the dumping margin calculated in section 4.5.6 is a comparison of export price and normal value base on free on board value terms, which does not include overseas freight. The Commission is therefore satisfied with the finding for shipment cost adjustments as listed in Table 6 above.

Powder coating cost

In its application³⁷ and subsequent submissions,³⁸ AluShapes submitted that the powder coating of aluminium micro-extrusions will incur an extra production cost. As AluShapes currently does not have a powder coating line in its manufacturing facility, this claim was based on its own manufacturing practice and its powder coating trial.

Based on the verification findings, the Commission finds that powder coating is merely one step of an integrated production procedure for the subject exporters. This production step takes place within the subject exporters' own dedicated manufacturing facilities. Again, as the raw material cost accounts for the vast majority of the weighted average CTM for aluminium micro-extrusions, the powder coating cost does not have a material impact, as a percentage of the total CTM for the goods.

³⁷ EPR 542, document no. [1](#), pages 26 and 28 refer.

³⁸ EPR 542, document nos. [19](#), [24](#) and [25](#) refer.

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The Commission notes that there may be a difference in the costs of powder coating from Alushape's own manufacturing practice to Guangdong Jiangsheng's. However, as per the verification findings, the costs of powder coating were clearly identified in the accounts, and the allocation was on the basis of actual cost. There was no evidence before the Commission to suggest that Guangdong Jiangsheng's powder coating costs were not competitive market costs.

The Commission is therefore satisfied that these allocations were accurate and reasonable.

Cost of waste metal-scrap

In its application, AluShapes provided a rate of metal waste during the production process for aluminium micro-extrusions, based on data gathered from AluShapes' own production process. It claimed that the higher rate of metal waste should increase the subject exporters' production cost of the goods.

The Commission conducted detailed analysis during the verification process regarding the scrap from different stages of the manufacturing process for the subject exporters. The evidence provided by the subject exporters was able to be traced back to their respective financial systems and audited financial reports. The evidence demonstrated nearly all of the waste metal was recycled back into their respective production processes.

More details can be found in the verification report³⁹ and **Confidential Attachment 5** and **Confidential Attachment 6**.

4.5.6 Dumping margin

The dumping margin in respect of the goods exported to Australia by Guangdong Jiangsheng for the investigation period is **negative 25.7 per cent**.

The Commission's calculations are included at **Error! Reference source not found.**

4.6 Guangdong Zhongya

The Commission conducted a desktop verification of Guangdong Zhongya's REQ and is satisfied that the information provided is complete, relevant and accurate. The Commission has previously undertaken onsite verification for Guangdong Zhongya where it was similarly satisfied that the information provided was complete, relevant and accurate.⁴⁰

The importer

The Commission considers Guangdong Zhongya's Australian customer to be the beneficial owner of the goods at the time of importation and therefore the importer. The Australian customer is:

³⁹ EPR 542, document no. [22](#) refers.

⁴⁰ See, for example, the verification report associated with case [442](#).

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- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to Australian Border Force;
- pays for all the importation charges; and
- arranges delivery from the port.

In relation to the goods exported by Guangdong Zhongya to Australia, the Commission considers that the customer listed for each shipment was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

The exporter

The Commission considers Guangdong Zhongya to be the exporter of the goods, as Guangdong Zhongya:

- manufactured the goods exported to Australia;
- is located in the country of export from where the goods were shipped;
- knowingly placed the goods in the hands of a carrier, courier or forwarding company for delivery to Australia.

Whilst Zhongya HK is involved in the transaction process, it is essentially acting as a facilitator or agent for Guangdong Zhongya in the sale and shipment of the goods. The Commission is satisfied that for all Australian export sales during the period that Guangdong Zhongya was the exporter of the goods.

The Commission is satisfied that the information provided by Guangdong Zhongya is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

4.6.1 Export price

In respect of Australian sales of the goods by Guangdong Zhongya via Zhongya HK, the Commission found that the importer has not purchased the goods from the exporter. Therefore, export prices cannot be determined under sections 269TAB(1)(a) or (1)(b). The Commission has calculated the export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the export price is considered to be the price paid or payable by the Australian importer, less relevant costs including:

- handling and transport costs applicable to certain sales;
- the costs of Zhongya HK;
- the profit of Zhongya HK; and
- invoice fees incurred by Zhongya HK.

As all the domestic sales were Ex-works (EXW), to ensure a fair comparison to the normal value, trader to importer deductions were considered, and the Commission calculated the export price on an EXW basis.

4.6.2 Normal value

The Commission is satisfied that, due to the situation in the domestic aluminium micro-extrusions market in China, domestic selling prices are not suitable for use in determining a normal value under section 269TAC(1). The Commission has therefore calculated a normal value under section 269TAC(2)(c) using the sum of:

- the CTM that reasonably reflects competitive market costs in accordance with section 43(2) of the Regulation; plus
- domestic SG&A on the assumption that the goods, instead of being exported, were sold domestically based on the company's records in accordance with section 44(2) of the Regulation; plus
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

The Commission has assessed the aluminium input costs in Guangdong Zhongya's CTM and determined that the costs do not reasonably reflect competitive market costs associated with the production of like goods, due to the influence of the GOC in the domestic Chinese market for primary aluminium.

In determining Guangdong Zhongya's CTM under section 43(2) of the Regulation, the Commission has applied a competitive aluminium benchmark as detailed in chapter 4.4.3.

4.6.3 Adjustments

To ensure the comparability of normal values to export prices, the Commission made adjustments pursuant to section 269TAC(9) as follows:

Adjustment Type	Deduction/addition
Export credit terms	Add an amount for export credit terms
Export commission	Add an amount for export commission
Non-refundable VAT	Add an amount for non-refundable VAT *

*Note. Applied to 2019-Q1 as the remaining quarters during the investigation period received a full VAT refund.

Table 7 – Summary of adjustments

A report covering the verification findings is available on the public record.⁴¹

⁴¹ EPR 542, document no. [23](#) refers.

4.6.4 Submissions

As noted above, AluShapes claims that there is a much higher conversion cost in manufacturing aluminium micro-extrusions when compared to the cost of manufacturing aluminium extrusions generally.⁴² AluShapes submitted that the production costs reported by Guangdong Zhongya in its REQ were inaccurate, in terms of both the accuracy of the information presented and the reasonableness of the cost allocation method used. AluShapes further submitted that Guangdong Zhongya's method of using a "coefficient"⁴³ to capture the production cost difference in making aluminium micro-extrusions is inaccurate, as it is based on weight of the output. AluShapes also submitted that Guangdong Zhongya did not report a packaging cost, which is either an error or an omission.

The basis of the above claims arises from AluShapes' own experience of manufacturing aluminium micro-extrusions in Australia, as indicated in its application. A net value-added assessment was used to calculate its conversion costs for aluminium micro-extrusions. The calculation was based on AluShapes' engineering records (e.g. engineering records demonstrating the ratio of weight of raw material and hourly product output).

AluShapes submitted the following points after the publication of Guangdong Zhongya's verification report:

- AluShapes contended that a different rate of coefficient should have been found for the production of aluminium micro-extrusions (according to Alushapes, the 'coefficient' signifies that there are cost differences between making micro-extrusions versus aluminium extrusions more generally);
- AluShapes submitted that powder coating costs were undervalued, and in particular, AluShapes proposed that the Commission should clarify the "electrophoresis process" and determine whether this process is relevant to the powder costing cost;
- AluShapes questioned the OCOT test and profit used; and
- AluShapes further submitted that the shipping cost of aluminium micro-extrusions had been undervalued, suggesting that, as these would be shipped together with other aluminium extrusions generally, the goods would get a "free ride".⁴⁴

4.6.5 The Commission's assessment

The Commission has established that the production cost data provided by the subject exporters was accurate, complete and relevant, and that the records of Guangdong Zhongya have been kept in accordance with GAAP in the country of export.⁴⁵

⁴² EPR 542, document nos. [10](#), [14](#), [17](#) and [19](#) refer.

⁴³ ERP 542, document no. [8](#), page 43 refers.

⁴⁴ EPR 542, document no. [25](#) refers.

⁴⁵ The basis for this assessment in respect of individual exporters is contained in the verification reports at EPR 542 document nos. [22](#) and [23](#).

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The Commission notes that Guangdong Zhongya has 37 aluminium extrusion machines. There are two small extruders which are dedicated to the production of the goods. With this manufacturing set up, Guangdong Zhongya was able to observe that the small extruders run more slowly than the larger extruders, and the production time for aluminium micro-extrusions is longer than for larger aluminium extrusions. Therefore, the output of aluminium micro-extrusions is less than the output of normal aluminium extrusions within the same production time. Based on the yearly production of micro-extrusions through the two small extruders, and the yearly production of other aluminium extrusions through the other extruders, Guangdong Zhongya calculated a coefficient that is used for cost allocation between micro-extrusions and all other extrusions.

The following sequence demonstrates Guangdong Zhongya's production cost allocation method:

- it selected those micro-extrusions in the form of hollow profiles by using the product drawings of extrusions weighing less than 200 grams per metre in length and by manual review;
- it then compiled data together to calculate the output of the subject goods;
- it then allocated the raw material and supplementary materials based on production quantity of the goods under the same product category with the same surface treatment; and
- it then applied the coefficient, to allocate labour and manufacturing overheads at the mill extrusion stage, to reach the reported data for labour and manufacturing overheads for the goods.

By using this methodology, based on production quantity, the Commission was satisfied that the upwards costs could be reconciled, firstly to all aluminium extrusions and then further reconciled downwards with respect to the cost allocations for the goods. The Commission has established that the production cost data provided by Guangdong Zhongya was accurate, complete and relevant, and that the records of Guangdong Zhongya have been kept in accordance with GAAP in the country of export.⁴⁶ The Commission is therefore satisfied that all of the costs associated with the production and sale of the goods have been identified and reasonably accounted for.

In relation to the missing packaging costs claimed by AluShapes, the Commission notes that Guangdong Zhongya makes its own export-packing trolleys in-house and the cost of these trolleys was reflected in the cost of production. There was no difference in packaging between sales to its domestic and Australian customers. Therefore, the Commission could not reasonably apply an adjustment for packaging to the normal value calculation.

⁴⁶ The basis for this assessment in respect of individual exporters is contained in the verification reports at EPR 542 document no, [22](#) and [23](#) refer.

In relation to the undervaluing of export shipping costs, the Commission notes that it is the standard international freight practice to charge as per total weight, regardless of the container packing method. The Commission also notes that the trading terms are identified as EXW, the dumping margin calculated in section 4.6.6 is a comparison of export price and normal value based on EXW terms, which does not include overseas freight and inland charges. The Commission is therefore satisfied with the finding for shipment cost adjustments as listed in Table 8 above.

The Commission reviewed the OCOT calculations and is satisfied that the amount of profit included in the normal value calculation is based on data relating to the production and sale of like goods on the domestic market in accordance with section 45(2) of the Regulation.

The Commission further notes that, as the raw material cost accounts for the vast majority of the weighted average CTM for aluminium micro-extrusions, even if the remaining costs are adjusted to account for the higher manufacturing overhead cost contended by AluShapes (i.e. over and above the actual costs reported by Guangdong Zhongya and verified), this would have an immaterial impact on the dumping margin.

Powder coating cost

In its application⁴⁷ and subsequent submissions,⁴⁸ AluShapes submitted that the powder coating of aluminium micro-extrusions will incur an extra production cost. As AluShapes currently does not have a powder coating line in its manufacturing facility, this claim was based on its own manufacturing practice and its powder coating trial.

Based on the verification findings, the Commission finds that powder coating is merely one step of an integrated production procedure for the subject exporters. This production step takes place within the subject exporters' own dedicated manufacturing facilities. Again, as the raw material cost accounts for the vast majority of the weighted average CTM for aluminium micro-extrusions, the powder coating cost does not have a material impact as a percentage of the total CTM for the goods.

The Commission notes that there may be a difference in the costs of powder coating from AluShape's own manufacturing practice to Guangdong Zhongya's. However, as per the verification findings, the costs of powder coating were clearly identified in the accounts, and the allocation was on the basis of actual cost.

In relation to the "electrophoresis process" applied to a specific type of micro extrusion, the Commission notes that the process is a kind of surface treatment of aluminium, which includes applying acrylic resin, melamine resin, pigments, solvents, neutralizing agents, additives and other ingredients. This process was completed and costed separately from a different workshop and Guangdong Zhongya only sells the electrophoresis treated product on its domestic market.

⁴⁷ EPR 542, document no. [1](#), pages 26 and 28 refer.

⁴⁸ EPR 542, document nos. [19](#), [24](#) and [25](#) refer.

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Based on the findings above, the Commission is satisfied that these allocations were accurate and reasonable.

Cost of waste metal-scrap

In its application, AluShapes provided a rate of metal waste during the production process for aluminium micro-extrusions, based on data gathered from AluShapes' own production process. It claimed that the higher rate of metal waste should increase the subject exporters' production cost of the goods.

The Commission conducted detailed analysis during the verification process regarding the scrap from different stages of the manufacturing process for the subject exporters. The evidence provided by the subject exporters was able to be traced back to their respective financial systems and audited financial reports. The evidence demonstrated nearly all of the waste metal was recycled back into their respective production processes.

More details can be found in the verification report⁴⁹ and **Confidential Attachment 5** and **Confidential Attachment 6**.

4.6.6 Dumping margin

The dumping margin in respect of the goods exported to Australia by Guangdong Zhongya for the investigation period is **negative 20.4 per cent**.

The Commission's calculations are included at **Error! Reference source not found.**

4.7 Non-injurious price

As the Commissioner has terminated the entire investigation, there will be no recommendation from the Commissioner to the Minister to publish a notice under sections 269TG(1) or (2). As such, there is no requirement for the Commissioner to make a recommendation regarding whether the Minister should consider the desirability of fixing a lesser amount of duty for the purposes of removing injury, pursuant to the *Customs Tariff (Anti-Dumping) Act 1975*.

⁴⁹ EPR 542, document no. [23](#) refers.

5 TERMINATION OF THE INVESTIGATION

Section 269TDA provides for when the Commissioner must terminate an investigation.

Section 269TDA(1)(b)(i) provides that the Commissioner must terminate a dumping investigation, in so far as it relates to an exporter of the goods, if satisfied that there has been no dumping by the exporter of any of those goods.

The Commission has found the dumping margins set out in Table 8.

Country	Exporter	Dumping margin
China	Guangdong Jiangsheng Aluminium Co Ltd	-25.7%
	Guangdong Zhongya Aluminium Co Ltd	-20.4%

Table 8: Dumping margins

Based on the findings in this report, in accordance with section 269TDA(1), the Commissioner has therefore terminated the investigation in its entirety, on the basis that there has been no dumping by those exporters of the goods the subject of the application.

6 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Exporter calculations - Guangdong Jiangsheng
Confidential Attachment 2	Exporter calculations - Guangdong Zhongya
Confidential Attachment 1	Proper comparison analysis
Confidential Attachment 4	Aluminium benchmark
Confidential Attachment 5	Subject exporter CTM comparison and sensitivity test
Confidential Attachment 6	Production process Australia vs subject exporters