AD0012 - Aluminium Extrusions Case
Dumping Calculation Methodology

Introduction

This paper should be read in conjunction with the Statement of Essential Facts (SEF) link.

The aim of this paper is to provide further detail, as well as highlighting key differences since the Provisional Affirmative Determination (PAD) calculations.

It includes details on the:

- PCN analysis;
- particular market situation adjustments to normal value;
- reasonable level of profit used to calculate normal value;
- export price;
- fair comparison adjustments.

Annex 1 shows the methodology used to calculate the dumping margins for reference.

PCN Analysis

The PCN structure used in this case has allowed the thousands of goods produced and sold during the POI by participating producers, to be classified into 269 different PCNs.

Of the 269 PCNs, the TRA sampled 101 PCNs for the calculations, because they were both manufactured by UK Industry and exported to the UK from the PRC by verified exporters during the POI. These sampled PCNs are shown in Table 1:

Table 1: Sampled PCNs used in calculations

CH6L2SAN	CH6M3SAN	CH6S3SNN	CS6M3SAN	CS6S5SNN	SP6M2SNN
CH6L2SNN	CH6M3SAY	CH6S3SNY	CS6M3SNN	SB6L1SNNN	SP6M2SPN
CH6L2SNY	CH6M3SNN	CH6S5SNN	CS6M3SPN	SB6M0SNNN	SP6M3SNN
CH6L3SNN	CH6M3SNY	CP6L2SNNN	CS6M4SNN	SB6M1SANN	SP6M3SPN
CH6L3SNY	CH6M3SPN	CP6M2SNN	CS6M5SNN	SB6M1SNNN	SP6M4SNN
CH6L3SPN	CH6M4SAY	CS6L1SNN	CS6M5SNY	SB6M2SANN	SP6M5SNN
CH6L4SNN	CH6M4SNN	CS6L2SNN	CS6S1SAN	SB6M2SNNN	SP6S1SAN
CH6M1SAN	CH6M5SNN	CS6L3SNN	CS6S1SAY	SB6M3SNNN	SP6S1SNN
CH6M1SNN	CH6S1SAN	CS6M0SNN	CS6S1SNN	SB6M4SNNN	SP6S2SNN
CH6M1SNY	CH6S1SAY	CS6M0SPN	CS6S1SNY	SB6M5SNNN	SS6M1SNN
CH6M1SPN	CH6S1SNN	CS6M1SAN	CS6S1SPN	SB6S1SANN	SS6M5SNN
CH6M2SAN	CH6S1SNY	CS6M1SNN	CS6S2SAN	SB6S2SNNN	
CH6M2SAY	CH6S2SAN	CS6M1SNY	CS6S2SAY	SP6L2SNN	
CH6M2SNN	CH6S2SAY	CS6M1SPN	CS6S2SNN	SP6M1SAN	
CH6M2SNY	CH6S2SNN	CS6M2SAN	CS6S2SNY	SP6M1SNN	
CH6M2SOY	CH6S2SNY	CS6M2SNN	CS6S2SPN	SP6M1SPN	
CH6M2SPN	CH6S2SPY	CS6M2SNY	CS6S3SAN	SP6M2SAN	
CH6M2SPY	CH6S3SAY	CS6M2SPN	CS6S3SNY	SP6M2SAY	

Of the 168 PCNs not sampled, 6 PCNs were excluded due to their highly specialist nature. Pricing for these PCNs was based more on the complexity and time taken to manufacture them, meaning they were priced on a per unit basis, rather than being primarily based on the weight or amount of aluminium used in their production.

Including these 6 PCNs in our calculations would have produced an unrepresentative residual rate. Whilst removing these materially affected the residual rate, they had no material effect on the individual exporter dumping margins.

A further 106 of the 168 PCNs were produced by UK Industry but not imported into the UK from the PRC during the POI. This left 56 PCNs imported into the UK from the PRC that were not produced by UK Industry.

Normal value

As described in the SEF, the TRA used a constructed normal value, which is the cost of production in the country of origin, a reasonable amount for administrative, selling and general (AS&G) costs and a reasonable amount for profit. The TRA used actual exporter data for cost of production and AS&G costs and adjusted Haomei and PMI's costs to account for a Particular Market Situation.

Particular Market Situation Adjustments

Tables 2, 3 and 4 show the per unit benchmarks that replaced Haomei and PMI's per unit costs for aluminium billet and energy (electricity and natural gas). As detailed in the SEF, no distortions were identified in these two inputs for Shandong Nanshan, meaning no adjustments were made to their related input costs.

Table 2: Aluminium input benchmark calculations

		LME Primary Aluminium	Regional Premium (Brazil DDP)	Billet Upcharge 6063 US Midwest	TOTAL
2020	Jun	11,076.25	1,788.18	46.03	12,910.46
	Jul	11,485.43	1,800.57	51.14	13,337.15
	Aug	12,016.97	1,923.24	53.71	13,993.92
	Sep	11,888.74	2,154.20	52.79	14,095.73
	Oct	12,126.84	2,132.33	54.15	14,313.32
	Nov	12,754.11	2,186.61	56.11	14,996.83
	Dec	13,195.68	2,256.06	58.53	15,510.27
2021	Jan	12,960.78	2,118.30	66.30	15,145.38
	Feb	13,428.39	2,163.16	98.47	15,690.03
	Mar	14,268.55	2,156.64	122.07	16,547.26

	Apr	15,136.44	2,139.78	140.70	17,416.92
	May	15,647.66	2,137.71	141.44	17,926.81
		12,998.82	**2,079.73**	**78.45**	**15,157.01**

Costs were converted from US Dollars to Chinese Renminbi using exchange rates from the Bank of England database.

Table 3: Energy benchmark calculations (Electricity)				
Electricity (industrial)				
Date	Cost (Real/kWh)	Real to CNY	Cost (CNY/kWh)	Banco Brasil conversion
Jun-20	0.64	1.33	0.851	1.33
Jul-20	0.64	1.32	0.843	1.32
Aug-20	0.64	1.34	0.858	1.34
Sep-20	0.64	1.27	0.813	1.27
Oct-20	0.64	1.20	0.770	1.20
Nov-20	0.67	1.16	0.777	1.16
Dec-20	0.70	1.25	0.872	1.25
AVERAGE			**0.83**	

Table 4: Energy benchmark calculations (Natural Gas)				
Natural Gas (Industrial)				
Date	Cost (Real/therm)	Real/kWh	Real to CNY	Cost (CNY/kWh)
Jun-20	10.42	0.356	1.338	0.476
Jul-20	10.25	0.350	1.294	0.453
Aug-20	8.43	0.288	1.336	0.384
Sep-20	8.67	0.296	1.248	0.369
Oct-20	8.67	0.296	1.212	0.359
Nov-20	9.64	0.329	1.165	0.383
Dec-20	10.88	0.371	1.234	0.458
AVERAGE				**0.412**

Energy costs were translated from Brazilian Reals to Chinese Renminbi using monthly average exchange rates from the Banco do Brasil.

Reasonable level of profit

In the SEF calculations we have used a reasonable level of profit of 6% to construct normal value.

This is the average profit achieved by two sampled exporters in the injury period: 1

June 2017 to 31 May 2018 and 1 June 2018 to 31 May 2019.

The 6% profit is used to mark up the total cost of production and AS&G per unit. This results in the final weighted average ex-works normal value per unit.

The reasonable level of profit differs from the PAD where a reasonable level of 15% was used. The 15% was based on the evidence available to TRA at that time. Reducing the reasonable level of profit had a material effect on reducing the dumping margins from the PAD to the SEF.

Export Price

As detailed in the SEF, the export price is normally based on the transaction price at which the foreign producer sells the product to an importer in the importing country.

Where export sales to associated importers affects price, a constructed export price has been used, which is based on the price when the Goods Concerned are first sold to an independent buyer in the UK. This applies to PMI who sell to the UK via a related UK importer, PMUK.

PMI Export Price

As detailed in the SEF, to construct export price for PMI we have used PMUK verified sales data and made adjustments to remove all costs between importation and resale.

Actual costs incurred by PMUK were calculated by taking the administrative costs as a percentage of the total sales revenue from PMUK's Financial Accounts for 2020.

Table 5: Costs incurred by PMUK 2020 (£)

Administrative Costs	Total Sales	Percentage
1,433,971.00	49,309,201.00	2.91%

Source: Companies House

A reasonable level of profit of 4.45% was calculated by reference to the publicly available 2019 financial accounts of a UK based importer, and this figure was reflected in the PMI export price.

Fair Comparison adjustments

The SEF details the fair comparison adjustments that were made to the export price and normal value.

It is worth noting that for the PAD calculations, adjustments were made to remove

credit from the export price for PMI. During verification it was established that these adjustments were not needed due to payment terms, and this had the impact of reducing the total dumping margin for PMI.

Annex 1

Dumping margins are calculated for each PCN and on an aggregated basis.

Table 6 shows the method used in calculating the dumping margin.

Table 6: Dumping calculations	
1.	**Export Price per PCN**
	Adjusted Export Price Total / Total Export Volume
=	Weighted Average ex-works Export Price per unit
2.	**Normal Value per PCN**
	Adjusted Normal Value Total / Total Domestic Volume OR Constructed Normal Value
=	Weighted Average ex-works Normal Value per unit
3.	**Dumping Margin per PCN**
	Weighted Average ex-works normal value per unit – weighted average ex-works export price per unit
=	Dumping amount
	Dumping amount * Total Export Volume
=	Dumping Total
	Dumping total / CIF Total
=	Dumping Margin
4.	**Overall Dumping Margin**
	Sum of Dumping total for each PCN / sum of CIF total for each PCN
=	Dumping Margin