



## Consideration report number: 442

Application for a dumping duty notice

Submitted by: Capral Limited

Certain aluminium extrusions exported to Australia from the People's Republic of China by Guangdong Jiangsheng Aluminium Co., Ltd and Guangdong Zhongya Aluminium Company Ltd; and the Kingdom of Thailand.

12 October 2017

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## Abbreviations

Abbreviations/short form	Full reference
ABS	Australian Bureau of Statistics
ADRP	Anti-Dumping Review Panel
ASX	The Australian Securities Exchange
Capral	Capral Limited
China	People's Republic of China
Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	Cost to Make and Sell
DIBP	Department of Immigration and Border Protection
FOB	Free on Board
GNI	Gross National Income
GOC	Government of China
GUC	Goods under consideration
Jiangsheng Aluminium	Guangdong Jiangsheng Aluminium Co., Ltd
LME	London Metals Exchange
The Manual	<i>Dumping and Subsidy Manual</i>
MJP	Major Japanese Port premium
Parliamentary Secretary	Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science
REP 148	<i>Trade Remedies Branch Report No. 148</i>
REP 248	<i>Final Report No. 248</i>
REP 392	<i>Final Report No. 392</i>
Review 392	<i>Review of Measures No. 392</i>
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative costs
T	Tonnes
Thailand	Kingdom of Thailand
The Act	<i>Customs Act 1901</i>
The goods	Certain aluminium extrusions
Vietnam	The Socialist Republic of Vietnam
Zhongya Aluminium	Guangdong Zhongya Aluminium Company Ltd

# 1. Findings and recommendations

## 1.1. Background

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application lodged under subsection 269TB(1) of the *Customs Act 1901* (the Act)<sup>1</sup> by Capral Limited (Capral) for the publication of a dumping duty notice in respect of certain aluminium extrusions (aluminium extrusions or 'the goods') exported to Australia from:

- the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co., Ltd (Jiangsheng Aluminium) and Guangdong Zhongya Aluminium Company Ltd (Zhongya Aluminium); and
- the Kingdom of Thailand (Thailand).

It is noted that anti-dumping measures currently apply to aluminium extrusions exported to Australia from China, Malaysia and Vietnam (further information is provided at section 2.4). The anti-dumping measures in relation to China (in the form of a dumping duty notice and a countervailing duty notice) are applicable to all exporters, with the exception of Jiangsheng Aluminium, noting that Zhongya Aluminium is subject to the countervailing duty notice only.

Capral allege that the Australian industry for aluminium extrusions has suffered material injury caused by the goods exported to Australia from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB.

## 1.2. Findings

In accordance with subsection 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (as set out in section 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in section 2.5 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods (as set out in chapters 3 to 5 of this report).

## 1.3. Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping duty notice should be published.

The Commission further recommends that:

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<sup>1</sup> All legislative references are to the *Customs Act 1901* unless otherwise specified.

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- exports to Australia during the investigation period 1 October 2016 to 30 September 2017 be examined to determine whether dumping has occurred;<sup>2</sup> and
- details of the Australian market from 1 October 2013 be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, he must give public notice of the decision (**Attachment 1**) in accordance with the requirements set out in subsection 269TC(4).

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<sup>2</sup> As per the Commission's *Dumping and Subsidy Manual* (the Manual), available at [www.adcommission.gov.au](http://www.adcommission.gov.au), the investigation period is generally the 12 months preceding the initiation date and ending on the most recently completed quarter or month.

## 2. The application and the Australian industry

### 2.1. Lodgement of the application

#### 2.1.1. Legislative framework

The procedures for lodging an application are set out in section 269TB.

The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

#### 2.1.2. Application timeframe

Table 1 below summarises the timeframes in relation to this application.

Event	Date	Details
Application lodged and received by the Commissioner under subsections 269TB(1) and (5)	30 August 2017	The Commission received an application from Capral alleging that the Australian industry has suffered material injury caused by aluminium extrusions exported to Australia from Chinese exporters Jiangsheng Aluminium and Zhongya Aluminium and Thailand at dumped prices.
Applicant provided further information in support of the application under subsection 269TC(2A)	12 September 2017	The Commission received further information from Capral in relation to the application without having been requested to do so (as provided in subsection 269TC(2A)). The application was taken to include that further information and data, and to have been lodged and received on 12 September 2017, when the additional information was lodged and received. Accordingly, the 20 day period for consideration of the application was restarted.
	15 September 2017	The Commission notified Capral that the application contained critical and important deficiencies which, if unaddressed, create doubt on the reasonableness of the grounds for the publication of a dumping duty notice.
	22 September 2017	The Commission received further information from Capral in relation to the application without having been requested to do so (as provided in subsection 269TC(2A)). The application was taken to include that further information and data, and to have been lodged and received on 22 September 2017, when the additional information was lodged and received. Accordingly, the 20 day period for consideration of the application was restarted.
Consideration decision due under subsection 269TC(1)	12 October 2017	The Commissioner shall decide whether to reject or not reject the application within 20 days after the applicant provided further information.

**Table 1 – Application timeframe**

## 2.2. Compliance with subsection 269TB(4)

### 2.2.1. Finding

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

### 2.2.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that the application complies with subsection 269TB(4).

### 2.2.3. The Commission's assessment

Table 2 below summarises the Commission's assessment of compliance with subsection 269TB(4).

Requirement for the application	Details
Lodged in writing under subsection 269TB(4)(a).	The applicant lodged confidential and non-confidential versions of the application in writing. The non-confidential version of the application can be found on the electronic public record on the Commission's website at <a href="http://www.adcommission.gov.au">www.adcommission.gov.au</a> .
Lodged in an approved form under subsection 269TB(4)(b).	The application is in the approved form (Form B108) for the purpose of making an application under subsection 269TB(1).
Contains such information as the form requires under subsection 269TB(4)(c).	The applicant provided: <ul style="list-style-type: none"> <li>• a completed declaration;</li> <li>• answers to all questions that were required to be answered;</li> <li>• completed versions of all required appendices; and</li> <li>• sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.</li> </ul>
Signed in the manner indicated in the form under subsection 269TB(4)(d).	The application was signed in the manner indicated in Form B108 by a representative of the applicant.



Requirement for the application	Details
Supported by a sufficient part of the Australian industry under subsection 269TB(4)(e) and determined in accordance with subsection 269TB(6).	As set out in section 2.4.1, the Commission is satisfied that there is an Australian industry producing like goods. Capral has provided information regarding eight other Australian producers of like goods in the application. This information is consistent with past investigations, reviews and inquiries into aluminium extrusions from China, Malaysia and the Socialist Republic of Vietnam (Vietnam). Capral provided letters of support from six of the eight Australian producers of like goods. The Commission is satisfied that the level of support for the application (based on actual and estimated production volumes) complies with the requirements of subsections 269TB(6)(a) and (b). Details of this assessment is in Capral's Confidential Attachment A-1.
Lodged in the manner approved under section 269SMS for the purposes subsection 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner's instrument made under section 269SMS, being by email to the Commission's nominated e-mail address provided in that instrument. The application was therefore lodged in a manner approved under subsection 269SMS(2).

**Table 2 – Compliance with subsection 269TB(4)**

### 2.3. The goods the subject of the application

Table 3 below outlines the goods as described in the application and their corresponding tariff classification.

<b>Full description of the goods, as subject of the application</b>
<p>Aluminium extrusions that:</p> <ul style="list-style-type: none"> <li>• are produced by an extrusion process;</li> <li>• are of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents);</li> <li>• have finishes being: <ul style="list-style-type: none"> <li>○ as extruded (mill);</li> <li>○ mechanically worked;</li> <li>○ anodized; or</li> <li>○ painted or otherwise coated, whether or not worked;</li> </ul> </li> <li>• have a wall thickness or diameter greater than 0.5 mm;</li> <li>• have a maximum weight per metre of 27 kilograms; and</li> <li>• have a profile or cross-section fitting within a circle having a diameter of 421 mm.</li> </ul>
<b>Further information</b>
<p>The goods under consideration ("GUC") include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.</p> <p>The GUC do not extend to intermediate or finished products that are processed or fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.</p>

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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	Non alloyed aluminium tubes and pipes.
7608.20.00	10	Kg	Aluminium alloy tubes and pipes.
7610.10.00	12	Kg	Doors, windows and their frames and thresholds for doors.
7610.90.00	13	Kg	Other.

**Table 3 – The goods as described in the application**

Table 4 below provides examples of the coverage of the goods and like goods (and intended end-use applications) and will be used for this investigation. Examples of the goods and like goods are outlined in columns 1-4 and non-subject goods are outlined in columns 5 to 7.

< GUC >				< Non GUC >		
1	2	3	4	5	6	7
Aluminium extrusions	Aluminium extrusions with minor working	Aluminium extrusions that are parts intended for use in intermediate or finished products	Aluminium extrusions that are themselves finished products	Unassembled products containing aluminium extrusions, e.g. 'kits' that at time of import comprise all necessary parts to assemble finished goods	Intermediate or partly assembled products containing aluminium extrusions	Fully assembled finished products containing aluminium extrusions
< Examples >						
Mill finish, painted, powder coated, anodised, or otherwise coated aluminium extrusions	Precision cut, machined, punched or drilled aluminium extrusions	Aluminium extrusions designed for use in a door or window	Carpet liner, fence posts, heat sinks	Shower frame kits, window kits, unassembled unitised curtain walls	Unglazed window or door frames	Windows, doors

**Table 4 – The goods and like goods**

## 2.4. History of anti-dumping measures

Anti-dumping measures apply to aluminium extrusions exported to Australia from China<sup>3</sup>, Malaysia<sup>4</sup> and Vietnam<sup>5</sup>.

A history of the main cases relating to aluminium extrusions exported to Australia are summarised below in Table 5. Further information is also available on the Commission's electronic public record.

Previous investigations	
2009-2011	<p>The then Australian Customs and Border Protection Service initiated an investigation (Investigation 148) in relation to aluminium extrusions exported to Australia from China, following an application from Capral. Following the investigation, the then Attorney-General published a dumping duty notice and a countervailing duty notice (<i>Trade Remedies Branch Report No. 148</i> (REP 148) refers).</p> <p>Following a review by the former Trade Measures Review Officer, the then Attorney-General amended the dumping duty notice and countervailing duty notice as a result of a reinvestigation of certain findings made in REP 148. <i>International Trade Remedies Report No. 175</i> refers.</p>
2015	<p>The Commissioner initiated an all exporter review (Review No. 248) of aluminium extrusions exported to Australia from China following an application from PanAsia Aluminium (China) Co., Ltd (PanAsia). Following Review 248, the then Parliamentary Secretary to the Minister for Industry and Science published a notice declaring that she had altered the dumping duty notice and countervailing duty notice as if different variable factors had been ascertained for exporters generally (Report No. 248 (REP 248) refers).</p> <p>The Commission conducted a continuation inquiry (Report No. 287 refers), following an application by Capral. The then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science continued the measures for a further five years, until 28 October 2020.</p>
2016	<p>The Commissioner initiated an investigation (Investigation No. 362), following an application from Capral, into the alleged dumping and subsidisation of aluminium extrusions exported to Australia from Malaysia and Vietnam.</p> <p>On 27 June 2017, the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science published a dumping notice in respect of the goods exported from Malaysia and Vietnam and a countervailing notice in respect of Malaysia. Certain aspects of this decision are currently subject to review by the Anti-Dumping Review Panel (ADRP).<sup>6</sup></p>

<sup>3</sup> As noted previously, the anti-dumping measures in respect of China (in the form of a dumping duty notice and a countervailing duty notice), apply to all exporters with the exception of Jiangsheng Aluminium, and noting that Zhongya Aluminium is subject to the countervailing duty notice only.

<sup>4</sup> In the form of a dumping duty notice and a countervailing duty notice for all exporters except Press Metal Berhad, LB Aluminium Berhad, Superb Aluminium Industries Sdn Bhd, Kamco Aluminium Sdn Bhd, Milleon Extruder Sdn Bhd and Genesis Aluminium Industries Sdn Bhd.

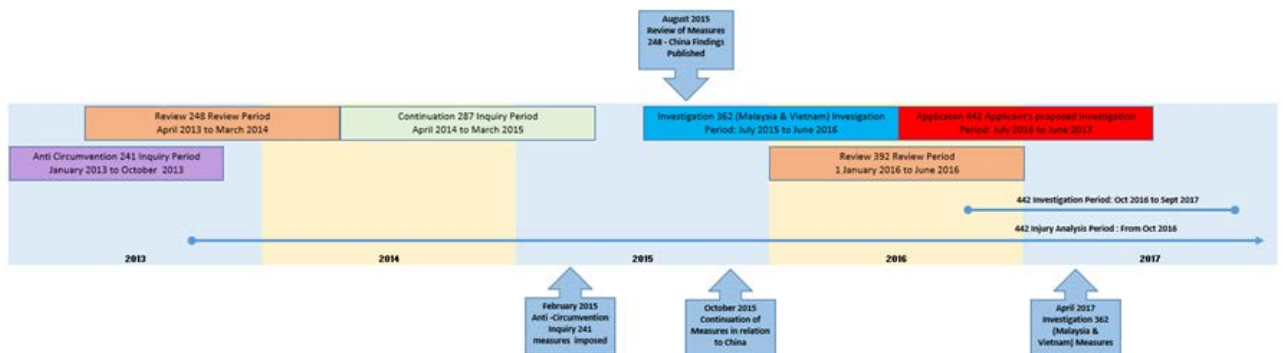
<sup>5</sup> In the form of a dumping duty notice for all exporters.

<sup>6</sup> ADRP Review No. 61 available at [www.adreviewpanel.gov.au](http://www.adreviewpanel.gov.au) refers.

2017	The Commissioner initiated an all exporter review (Review No. 392) in relation to aluminium extrusions from China following applications from four Chinese exporters. Review 392 examined the review period 1 January 2016 to 31 December 2016 to determine whether the variable factors relevant to the taking of the existing anti-dumping measures in relation to China should be changed. The Commissioner provided his <i>Final Report No. 392 (REP 392)</i> to the Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary) on 9 October 2017. At the time of publishing this report, the Parliamentary Secretary is considering REP 392.
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**Table 5 – History of anti-dumping measures**

Figure 1 below is a timeline of the investigations, reviews and inquiries that have occurred during the proposed injury assessment period for this investigation.



**Figure 1 – Timeline of anti-dumping measures**

## 2.5. Like goods and the Australian industry

### 2.5.1. Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application on the basis that:

- Capral and other Australian producers manufacture aluminium extrusions that have characteristics closely resembling the goods the subject of the application; and
- the locally produced aluminium extrusions are wholly manufactured in Australia.

### 2.5.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under subsection 269T(1). Subsections 269T(2), 269T(3), 269T(4), and 269T(4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

### 2.5.3. Locally produced like goods

Table 6 below summarises the Commission's assessment of whether the locally produced goods are identical to, or have characteristics that closely resemble, the goods the subject of the application and are therefore like goods.

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Factor	The Applicant's claims	The Commission's assessment
Physical likeness	<p>Capral referred to the Commission's previous investigations, reviews and inquiries where it was established that the physical characteristics of the imported goods and locally produced goods are similar.</p> <p>In support of its application Capral provided a copy of its catalogue of standard extrusion profiles and its alloy specifications.</p> <p>Capral also referenced the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) relating to aluminium extrusions.</p>	<p>Capral's claims are consistent with previous investigations, reviews and inquiries regarding aluminium extrusions. The Commission has examined websites and other available information (where available) in relation to the exporters subject to this application and is satisfied that the Australian industry manufactures like goods that closely resemble the physical appearance of imported goods, in terms of:</p> <ul style="list-style-type: none"> <li>• alloy composition;</li> <li>• shapes and profiles; and</li> <li>• finish types.</li> </ul>
Commercial likeness	<p>Capral referred to the Commission's previous investigations, reviews and inquiries where it was established that locally produced goods and imported goods are commercially alike as they are sold to common users, and directly compete in the same market.</p> <p>Capral also referenced the fact that it provides a wide range of profiles made to customer specifications (i.e. exclusive shapes), some of which are multiple-sourced by customers from Australian and overseas producers.</p>	<p>Based on Capral's sales data and data from the Department of Immigration and Border Protection (DIBP) import database, the Commission is satisfied that the Australian industry manufactures like goods that are sold to the same or similar customers and therefore compete directly with imported goods.</p>
Functional likeness	<p>Capral referred to the Commission's previous investigations, reviews and inquiries where it was established that locally produced goods and imported goods are functionally alike as they have a similar range of end-uses.</p>	<p>The Commission has examined websites of exporters subject to this application and is satisfied that the Australian industry manufactures like goods that are used in the same or similar end-uses and are therefore functionally alike to imported goods.</p> <p>In relation to Zhongya Aluminium, the Commission has examined contemporaneous information obtained in Review No. 392 and is satisfied that the Australian industry manufactures like goods that are used in the same or similar end-uses and are therefore are functionally alike to the imported goods from Zhongya Aluminium.</p>

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Factor	The Applicant's claims	The Commission's assessment
Production likeness	<p>Capral referred to the Commission's findings in Investigation Nos. 148 and 362 where it was established that locally produced goods and imported goods are manufactured in a similar manner.</p> <p>In support of its application, Capral provided a detailed description and diagram of the aluminium extrusions manufacturing process.</p>	<p>The Commission has examined websites of exporters subject to this application and is satisfied that the Australian industry produces like goods in a similar manufacturing process, using the same or similar raw materials as imported goods.</p> <p>In relation to Zhongya Aluminium, the Commission has examined contemporaneous information obtained in Review No. 392 and is satisfied that the Australian industry produces like goods in a similar manufacturing process, using the same or similar raw materials as imported goods.</p>
<b>Commission's assessment</b>		
<p>Based on the analysis above, the Commission considers that locally produced aluminium extrusions have characteristics that closely resemble the goods the subject of the application and therefore are like goods. The Commission will further examine the issue of like goods during the course of the investigation.</p>		

**Table 6 – Like goods assessment**

**2.5.4. Manufacture in Australia**

Table 7 below summarises the Commission’s assessment of whether the like goods are wholly manufactured in Australia and whether the like goods are therefore considered to have been manufactured in Australia, as per subsection 269T(2).

<b>The Applicant’s claims</b>
<p>Capral claims that aluminium extrusions are fully manufactured in Australia using Australian and imported raw materials. The major raw material used in producing aluminium extrusions is aluminium billet which is substantially transformed into aluminium extrusions via a capital intensive extrusion manufacturing process.</p> <p>To demonstrate its production processes, Capral provided a detailed description and diagram of the aluminium extrusions manufacturing process (included in the non-confidential version of the application).</p>
<b>The Commission’s assessment</b>
<p>Based on the description of the manufacturing process provided by Capral and previous findings in investigations, reviews and inquiries, and the fact that these processes take place at manufacturing facilities in Australia, the Commission is satisfied that aluminium extrusions are wholly manufactured in Australia.</p>

**Table 7 – Manufacture of like goods in Australia**

**2.6. Australian industry information**

Table 8 below summarises the Commission’s assessment of whether Capral has provided sufficient information in the application to analyse the performance of the Australian industry.

<b>Have the relevant appendices to the application been completed?</b>		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Yes
A6.1	Cost to make and sell (and profit) – Domestic sales	Yes
A6.2	Cost to make and sell (and profit) – Export sales	Yes
A7	Other injury factors	Yes
<b>General administration and accounting information – Capral</b>		
History	Capral commenced operations in Australia in 1936.	
Ownership	Capral is a publicly listed company on the Australian Securities Exchange (ASX Code: CAA).	
Operations	<p>Capral manufactures and sells aluminium extrusions and other semifinished, non-ferrous products under its company name. Capral is a major extruder and distributor of aluminium products. The manufacturing business produces extrusion products at five sites at Bremer Park (Qld), Penrith (NSW), Campbellfield (Vic), Angaston (SA) and Canning Vale (WA).</p> <p>Capral operates 8 major distribution centres and ten ‘Capral Aluminium Centres’ across all States and the Northern Territory. The distribution business supplies aluminium extrusion products and related components to residential and commercial construction markets, as well as to industrial fabrication and manufacturing markets. Capral also</p>	

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	distributes a range of rolled aluminium products and hardware products that are complimentary to its aluminium extrusion products.	
Financial year	Capral's financial year is the 12-month period ending 31 December. Capral also produces 6 monthly accounts for periods ending 30 June.	
Audited accounts	Capral's accounts are audited annually.	
Annual reports	A copy of Capral's 2015 and 2016 Annual Reports were included with the application as Attachment A-2.9.	
<b>Production and sales information</b>	<b>Cost to make and sell information</b>	<b>Other injury factors</b>
Confidential Appendix A2 and A4 to the application contains required data for the period 1 July 2016 to 30 June 2017. The Commission will require that Capral provide data for the most recent quarter, 1 July 2017 to 30 September 2017.	Confidential Appendix A6 to the application contains required data for the period 1 July 2016 to 30 June 2017. The Commission will require that Capral provide data for the most recent quarter, 1 July 2017 to 30 September 2017.	Confidential Appendix A7 to the application contains required data for the period 1 July 2016 to 30 June 2017. The Commission will require that Capral provide data for the most recent quarter, 1 July 2017 to 30 September 2017.
<b>The Commission's assessment</b>		
<p>The Commission notes that, in its application, Capral provided information for the period 1 July 2013 to 30 June 2017, which was satisfactory given that the application was lodged in August 2017 and access to information such as Australian Bureau of Statistics (ABS) trade data was not available to Capral for more recent months. Based on the information in the application, the Commission is satisfied that there is sufficient data on which to analyse the performance of Capral for the purposes of this report.</p> <p>However, as noted in section 1.3, the injury analysis period for the investigation will be from 1 October 2013 and the investigation period will be 1 October 2016 to 30 September 2017. The Commission will require that Capral provide data for the most recent quarter, 1 July 2017 to 30 September 2017. The Commission will also seek data for 1 October 2013 to 30 September 2017 from all other Australian producers of aluminium extrusions.</p>		

**Table 8 - Australian industry information**

## 2.7. Market size

Capral estimated the size of the Australian market for aluminium extrusions in Confidential Appendix A2 using its own data, ABS import data and estimates of other Australian producers based on past investigations, reviews and inquiries as well as its own market intelligence.

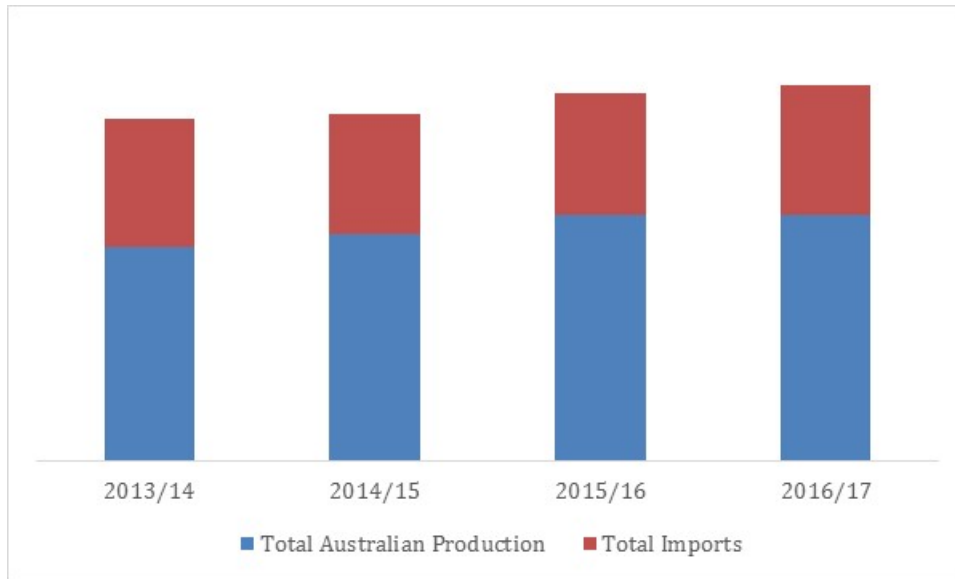
The Commission compared Capral's estimates of import volumes to data sourced from the DIBP import database. The Commission's estimates of import volumes obtained from the DIBP import database is based on the following methodology, which is consistent with the methodology in Investigation 362:

- data was extracted from the DIBP import database based on relevant tariff classifications and statistical codes;
- the data was filtered based on the goods description to exclude import transactions that appeared not to be the goods under consideration;
- the data was filtered to exclude goods with an anti-dumping duty exemption from China, Malaysia and Vietnam for not being the goods; and
- the data was filtered to exclude transactions where the free on board (FOB) price per kg was outside a range of \$2 to \$10 AUD (considered a reasonable price range for the goods based on observations from previous investigations,



reviews and inquiries into aluminium extrusions) in order to exclude outlying data.

Capral's estimates of total import volumes, imports from China and imports from Thailand were found to be consistent with the Commission's estimates for some of the financial years examined. For certain financial years Capral's estimates were found to be either overstated or understated depending on the country. On account of the variances observed, the Commission has relied on data from the DIBP import database and Capral's estimates of aluminium extrusions produced in Australia to determine the size of the Australian market for aluminium extrusions as depicted in Figure 2 below. Figure 2 compares years ending 30 June.



**Figure 2 – Australian market for aluminium extrusions (T)**

The Commission estimates that the size of the Australian market for aluminium extrusions increased in each financial year from 2013/2014.

The Commission's estimates of the size of the Australian market for aluminium extrusions are at **Confidential Attachment 2**.

## 3. Reasonable Grounds – dumping

### 3.1. Findings

Having regard to the application and to other information considered relevant, pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods have been exported to Australia by Jiangsheng Aluminium and Zhongya Aluminium from China and Thailand at dumped prices;
- the estimated dumping margins for exports by Jiangsheng Aluminium and Zhongya Aluminium from China and Thailand is greater than 2 per cent and are therefore not negligible, and
- the estimated volume of goods from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand that appear to have been dumped is, for each country, greater than 3 per cent of the total Australian import volume of goods and therefore is not negligible.

### 3.2. Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the Parliamentary Secretary<sup>7</sup> must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This issue is considered in the following sections.

### 3.3. Export price

#### 3.3.1. Legislative framework

Export price is determined by applying the requirements in section 269TAB taking into account whether the purchase or sale of goods was an arms length transaction under section 269TAA.

#### 3.3.2. Data provided in the application

To estimate export prices and import volumes, Capral obtained monthly FOB export prices and import volumes for China and Thailand in relation to the relevant tariff classifications relating to aluminium extrusions, from the ABS.

#### 3.3.3. The Applicant's estimates of export prices

Capral advised that it was not possible to individually identify the export prices for Jiangsheng Aluminium and Zhongya Aluminium from the ABS data. As a consequence, Capral used the weighted average Chinese FOB export prices from the ABS data to estimate Jiangsheng Aluminium's and Zhongya Aluminium's FOB export prices.

For Thailand, Capral relied upon the weighted average FOB export prices from the ABS data.

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<sup>7</sup> On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science. For the purposes of this investigation the Minister is the Parliamentary Secretary to the Minister for Industry, Innovation and Science.

Table 9 below, summarises Capral's monthly estimates of FOB export prices for the period July 2016 to June 2017.

Month	Weighted average export price AUD/FOB kg China	Weighted average export price AUD/FOB kg Thailand
Jul 2016	4.48	2.13
Aug 2016	4.54	1.92
Sep 2016	4.42	1.91
Oct 2016	4.38	4.48
Nov 2016	4.46	4.22
Dec 2016	4.31	3.97
Jan 2017	4.62	2.35
Feb 2017	4.79	2.29
Mar 2017	4.61	4.36
Apr 2017	4.53	4.30
May 2017	4.68	4.49
Jun 2017	4.66	4.39

**Table 9 – Capral's FOB export price estimates**

Capral's calculation of export prices is at **Confidential Attachment 3**.

### 3.3.4. The Commission's assessment – export prices

The Commission examined the export price calculations and supporting evidence provided by Capral.

#### Thailand

To verify the reliability of the export price estimates by Capral, the Commission compared data provided in the application with data the Commission obtained from the DIBP import database, following the methodology outlined at section 2.7.

In relation to Thailand, the Commission identified a material difference between Capral's estimated weighted average FOB export prices and the weighted average FOB export prices the Commission calculated using data from the DIBP import database. The Commission considers that, given the greater level of detail available to it from the DIBP import database, this information is more reliable than Capral's estimated FOB export prices.

#### Jiangsheng Aluminium and Zhongya Aluminium (China)

The Commission considers that Capral's use of a weighted average Chinese export price based on the ABS data is reasonable in circumstances where Capral does not have access to data enabling the calculation of exporter specific FOB export prices for Jiangsheng Aluminium and Zhongya Aluminium.

However, the Commission, using data obtained from the DIBP import database, was able to calculate exporter specific FOB export prices for both Jiangsheng Aluminium and Zhongya Aluminium. It is also noted that the Commission was able to compare 6 months of data it obtained from the DIBP import database (covering the period 1 July 2016 to 31 December 2016) with verified information from Review 392 in relation to Zhongya Aluminium.

The Commission considers that its calculations provide a more accurate estimate of FOB export prices in relation to Jiangsheng Aluminium and Zhongya Aluminium.

### 3.3.5. Import volumes

As outlined above, the Commission has obtained information from the DIBP import database, which provides more detail than the information contained within Capral's application. Accordingly, the Commission has relied on the DIBP import database import volumes for the purposes of this report.

The Commission's calculations of export price and import volumes is at **Confidential Attachment 4**.

## 3.4. Normal value

### 3.4.1. Legislative framework

Normal value is determined by applying the requirements in section 269TAC taking into account whether:

- the purchase or sale of the goods was an arms length transaction under section 269TAA;
- the goods were sold in the ordinary course of trade under section 269TAAD;
- there has been an absence or low volume of sales of like goods in the country of export; and
- the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under subsection 269TAC(1).

### 3.4.2. The Applicant's estimates of normal value

#### Thailand

Capral stated that, for the purposes of its application, it was unable to obtain domestic selling price information for aluminium extrusions sold in Thailand. In the absence of domestic selling price information, Capral constructed a normal value for Thailand pursuant to subsection 269TAC(2)(c).<sup>8</sup>

#### Jiangsheng Aluminium and Zhongya Aluminium (China)

Capral alleges that the market situation identified in prior investigations, reviews and inquiries for aluminium extrusions in relation to China, continues in 2016/2017. As a consequence, Capral submitted that Chinese domestic selling prices are not suitable for determining normal values under subsection 269TAC(1).

In its application Capral made reference to the findings of the Commission in Report No. 181 (REP 181)<sup>9</sup> (Aluminium Road Wheels exported to Australia from China) and REP 248<sup>10</sup>.

Capral stated that in REP 181, Customs and Boarder Protection identified that:

*".. raw material input costs (i.e. primary aluminium) was likely to have been heavily influenced by the GOC [Government of China] such that the influence had resulted in different ARW prices when compared to what would have*

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<sup>8</sup> As required by subsections 269TAC(5A) and 269TAC(5B), in ascertaining the normal value of the goods under subsection 269TAC(2)(c), the costs of production or manufacture, the selling, general and administrative (SG&A) costs and profit are established in accordance with sections 43, 44 and 45 of the *Customs (International Obligations) Regulation 2015*.

<sup>9</sup> A copy of Report 181 is available at:

<http://www.adcommission.gov.au/cases/Documents/181-ReporttoMinister.pdf>

<sup>10</sup> A copy of Report 248 is available at:

[http://www.adcommission.gov.au/cases/EPR%20193%20%20250/EPR%20248%20-%20archived/067%20-%20Report%20-%20%20REP%20248%20Findings%20%20\(1\).pdf](http://www.adcommission.gov.au/cases/EPR%20193%20%20250/EPR%20248%20-%20archived/067%20-%20Report%20-%20%20REP%20248%20Findings%20%20(1).pdf)

*been the case if the relevant markets operated in the absence of the GOC intervention”.*

Capral referenced various key findings in REP 248 relating to identified GOC plans for the aluminium industry and the Commission’s assessment that the GOC’s influences and interventions continued to distort the competitive conditions of the primary aluminium industry in China.

Capral submitted in relation to this application that:

*“...the GOC’s policies and plans for the primary aluminium industry policies and plans for the primary aluminium industry in China have continued to impact selling prices for aluminium extrusions in China in 2016/17, the probable investigation period for this application”.* Capral stated that GOC had not withdrawn or denounced the plans and policies identified in Report 248.

Table 10, below, summarises the approach taken by Capral to estimate normal values and the evidence relied upon.

Country	Basis of estimate	Details
Thailand	<ul style="list-style-type: none"> <li>• <u>Costs of production</u> <ul style="list-style-type: none"> <li>○ London Metals Exchange (LME) price for aluminium ingot;</li> <li>○ Major Japanese Port (MJP) premium;</li> <li>○ a US Billet Premium (for converting ingot to billet);</li> <li>○ Metal waste cost;</li> <li>○ Direct labour;</li> <li>○ Conversion costs;</li> <li>○ Packaging costs; and</li> <li>○ Uplift for portion of extrusions that are either powder coated or anodized.</li> </ul> </li> <li>• <u>SG&amp;A expenses</u></li> <li>• <u>An amount of profit</u></li> </ul>	<ul style="list-style-type: none"> <li>• The LME price for aluminium ingot, the MJP premium and the Billet Premium for each month was sourced from an independent publication available by paid subscription.<sup>11</sup></li> <li>• Conversion costs are based on Capral’s 2016/17 costs sourced from Confidential Appendix A6.1.</li> <li>• Capral’s own labour costs have been adjusted downwards to reflect the Thailand labour rate (sourced from the WorldBank gross national income (GNI) per capita data for 2015).</li> <li>• Packaging costs (including use of stillages) is based on Capral’s understanding of these costs identified in Investigation 362.</li> <li>• The metal waste costs are based on Capral’s own cost of production.</li> <li>• An uplift is applied for an estimated portion of sales that are powder coated/anodized (i.e. not mill finish).</li> <li>• SG&amp;A expenses and profit were based upon PanAsia accounts to 31 March 2014.</li> <li>• The normal value is for packaged goods at ex works (EXW) terms.</li> </ul>

<sup>11</sup> The Commission compared the data relied on by the applicant with data available to it from other pricing agencies and has no reason at this stage to doubt the reliability of the data Capral relied on.

China	<ul style="list-style-type: none"> <li>• <u>Costs of production</u> <ul style="list-style-type: none"> <li>○ LME price for aluminium ingot</li> <li>○ MJP premium;</li> <li>○ A US Billet Premium;</li> <li>○ Metal waste cost;</li> <li>○ Direct labour;</li> <li>○ Conversion costs;</li> <li>○ Packaging costs; and</li> <li>○ Uplift for portion of extrusions that are either powder coated or anodized.</li> </ul> </li> <li>• <u>SG&amp;A expenses</u></li> <li>• <u>An amount of profit</u></li> </ul>	<ul style="list-style-type: none"> <li>• The LME price for aluminium ingot, the MJP premium and the Billet premium for each month was sourced an independent publication available by paid subscription.</li> <li>• Conversion costs are based on Capral's 2016/17 costs sourced from Confidential Appendix A6.1.</li> <li>• Capral's own labour costs have been adjusted downwards to reflect the Chinese labour rate (sourced from the WorldBank GNI per capita data for 2015).</li> <li>• Packaging costs (including use of stillages) is based on Capral's understanding of these costs identified in Investigation 362.</li> <li>• The metal waste costs are based on Capral's own cost of production.</li> <li>• An uplift is applied for an estimated portion of sales that are powder coated/anodized (i.e. not mill finish).</li> <li>• SG&amp;A expenses and profit were based upon PanAsia accounts to 31 March 2014.</li> <li>• The normal value is for packaged goods at EXW terms.</li> </ul>
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**Table 10 – Capral's normal value methodology**

Capral's normal value calculations are contained in **Confidential Attachment 3**.

**3.4.3. Adjustments**

In its application, Capral highlighted that the ABS export prices for aluminium extrusions are at the FOB level, which includes inland freight to the port of export. In contrast, the normal values Capral constructed are EXW.

For the purposes of the application, Capral did not apply an upward adjustment to normal values to account for inland freight to the port of export to ensure fair comparison to the export prices.

Capral also did not apply any adjustment for differences between export and domestic sales for credit terms.

**3.4.4. Normal values in application**

Capral's monthly estimates of normal values for the period July 2016 to June 2017 at an EXW level in AUD per kg are summarised, below, in Table 11.

Month	Weighted average normal value AUD/EXW kg China	Weighted average normal value AUD/EXW kg Thailand
Jul 2016	5.41	5.04
Aug 2016	5.39	5.02
Sep 2016	5.32	4.94
Oct 2016	5.38	5.01
Nov 2016	5.51	5.14
Dec 2016	5.58	5.20
Jan 2017	5.66	5.29
Feb 2017	5.69	5.31

Mar 2017	5.79	5.42
Apr 2017	5.93	5.56
May 2017	5.96	5.58
Jun 2017	5.85	5.47

**Table 11 – Capral’s normal value estimates**

**3.4.5. The Commission's assessment**

Thailand normal value

The Commission examined the normal value calculations and supporting evidence provided by Capral in relation to Thailand and makes the following observations.

*Costs of production - Thailand*

- Capral’s use of published LME ingot prices and MJP premiums is reasonable in estimating the main raw material cost of aluminium extrusions from Thailand. The source of data is relevant and the data is contemporaneous. The LME and MJP data is consistent with benchmarks used to establish normal values for exporters from China in previous investigations, reviews and inquiries. The Commission notes that the Billet Premium for converting ingot to billet provided by Capral relates to the US region. The Commission does not consider a Billet Premium from this region to be relevant to Thailand. The Commission has replaced this amount with an amount it obtained from Review 392 for a contemporaneous period in regards to China, as this amount relates to the same geographical region;
- Capral’s labour costs adjusted downwards for lower per capita income based upon World Bank data is reasonable and relevant because it takes into account lower labour costs in Thailand;
- Capral’s inclusion of an estimated metal wastage cost based on its own cost of production does not have a material impact on the normal value and it is reasonable to assume that Thai exporters would incur similar costs;
- The Commission considers Capral’s conversion cost estimates reasonable in the absence of publically available conversion costs from Thailand. The Commission compared Capral’s estimates for conversion costs with actual conversion costs incurred by cooperative exporters from China in Review 392 and from Malaysia and Vietnam in Investigation 362 and found Capral’s estimates to be relevant and reliable for the purposes of this report;
- The Commission considers that the inclusion of packing costs based on packing material identified in Investigation 362 is reasonable. The Commission compared Capral’s estimated packaging costs with the actual calculations in Review 392 and Investigation 362 and found Capral’s estimates to be relevant and reliable; and
- The Commission considers that it is reasonable for Capral to assume that an uplift to account for finish types which incur a higher cost (e.g. powder coating and anodising) is warranted. However the evidence Capral presented in the application was insufficient to support its estimated product mix. The Commission acknowledges that the imports from Thailand may include different finishes, however the Commission was unable to quantify the proportion based on the information reported in the DIBP import database. The Commission has removed the uplift for finish types such that the normal value is for mill finish aluminium extrusions. The Commission considers this a conservative normal value estimate because mill finish goods do not include additional manufacturing processes which incur additional costs.

*SG&A and profit*

- The Commission considers that there is no basis for Capral to rely on PanAsia's accounts to 31 March 2014 to estimate SG&A expenses and profit in relation to Thailand. These amounts are not contemporaneous. The Commission replaced these amounts with verified SG&A expenses and profits obtained for a nearby country taken from Investigation 362.

*Adjustments - Thailand*

As previously specified at section 3.4.3, Capral did not make any adjustments to Thailand normal values for items such as inland transport or credit terms. The approach taken by Capral is considered by the Commission to be conservative as it has the effect of reducing the normal value and dumping margin.

The Commission will consider adjustments further during the course of the investigation.

*Conclusion – Thailand normal value*

As outlined above, the Commission has accepted Capral's use of a constructed normal value for Thailand for the purposes of this report. Although certain elements of Capral's estimated normal value were relevant and reliable, others were not. The Commission considers that it has more reliable information to calculate estimated normal values for Thailand based on information received in Review 392 and Investigation 362. The Commission has replaced certain elements of Capral's estimates where considered necessary and has recalculated the normal values. The Commission's estimates of normal value are lower than Capral's which has the effect of reducing the estimated dumping margins as shown at Table 11.

Jiangsheng Aluminium and Zhongya Aluminium (China)

*Market situation - China*

The Commission considers that there are reasonable grounds for Capral to assert that there is a market situation in the Chinese aluminium extrusions market. The Commission observes that the applicant relies on recent dumping investigation findings in relation to a market situation for aluminium extrusions in China to support its claims.

It is noted that the Commission's preliminary findings in SEF 392, identified that a particular market situation existed in respect of the domestic market for aluminium extrusions in China for the review period (1 January 2016 to 31 December 2016). This review period partially overlaps with the proposed investigation period for this investigation.

The Commission will further consider Capral's claims that a market situation exists in the aluminium extrusions market in China during the course of the investigation.

*Costs of production - China*

- Capral's use of published LME ingot prices and MJP premiums is reasonable in estimating the main raw material cost of aluminium extrusions from China. The source of LME and MJP data is relevant and the data is contemporaneous. The data is consistent with benchmarks used to establish normal values for exporters from China in previous investigations, reviews and inquiries. The Commission notes that the Billet Premium for converting ingot to billet provided by Capral relates to the US region. The Commission does not consider a Billet Premium from this region to be relevant to China. The Commission has replaced this amount with a contemporaneous amount



it obtained from Review 392 as this amount relates to the same geographical region;

- Capral's labour costs adjusted downwards for lower per capita income based upon World Bank data is reasonable and relevant because it takes into account lower labour costs in China;
- Capral's inclusion of an estimated metal wastage based on its own production does not have a material impact on Capral's calculated normal value and it is reasonable to assume that Chinese exporters would incur similar costs;
- The Commission considers Capral's conversion cost estimates reasonable. The Commission compared Capral's conversion cost estimates with actual conversion costs incurred by cooperative exporters from China in Review 392 and from Malaysia and Vietnam in Investigation 362 and found Capral's estimates to be relevant and reliable for the purposes of this report;
- The Commission considers that the inclusion of packing costs based on packing material identified in Investigation 362 is reasonable. The Commission compared Capral's estimated packaging costs with the actual calculations in Review 392 and Investigation 362 and found Capral's estimates to be relevant and reliable; and
- Similar to the earlier discussion in relation to Thailand, Commission considers that insufficient evidence was provided by Capral in the application to support the estimated portion of Chinese aluminium extrusions that had either have a powder coated or anodised finish. However as noted below, the Commission's revised estimates of normal value takes this into account.

#### *SG&A and profit*

- The Commission notes that PanAsia's accounts to 31 March 2014, which Capral used to estimate SG&A expenses and profit for the two Chinese exporters subject to the application are not contemporaneous. The Commission replaced these amounts with verified SG&A expenses and profits from Review 392.

#### *Adjustments – China*

As previously specified in section 3.4.3, Capral did not make any adjustments to normal values for differences in the terms and circumstances of the sales made domestically and those exported to Australia.

Whilst Capral has calculated export prices at an FOB level, no adjustments have been made for domestic inland transport which would have the effect of increasing Capral's estimated normal values and dumping margins.

As outlined below, the Commission's estimates of normal value for China take into account relevant adjustments.

#### *Conclusion – China normal value*

The Commission has accepted Capral's use of a constructed normal value for China for the purposes of this report. Although certain elements of Capral's estimated normal value were relevant and reliable, others were not. The Commission considers that it has more reliable information to calculate estimated normal values for the two Chinese exporters based on information verified in Review 392.

For the purposes of this report, the Commission has estimated normal values for Jiangsheng Aluminium and Zhongya Aluminium by:

- Identifying co-operative exporter(s) in Review 392 that exported a similar product mix of extrusion finishes to those the Commission has estimated to

have been exported by Jiangsheng Aluminium and Zhongya Aluminium during the proposed investigation period. The Commission’s estimate of Zhongya Aluminium’s product mix was based on the Australian sales data it submitted in relation to the countervailing duty notice for the purposes of Review 392. The Commission’s estimate of Jiangsheng Aluminium’s product mix was based on information verified in Investigation 148;

- On account of the ‘overlapping period’ between the review period for Review 392 and the period examined for this report (1 July 2016 to 31 December 2016), the Commission adopted the normal values for the exporter(s) estimated to have exported a similar mix of extrusion finishes to Jiangsheng Aluminium and Zhongya Aluminium;
- For the period 1 January 2017 to 30 June 2017, the Commission used the normal values established above for the ‘overlapping period’ and indexed them for movements in the combined LME, MJP and Billet Premium.

By using the normal values of co-operative exporters ascertained during Review 392, the Commission’s estimate of normal values also includes adjustments such as those for domestic inland transport and differences in credit terms between export and domestic sales.

The Commission’s estimates of Chinese normal values are lower than Capral’s, which has the effect of reducing the estimated dumping margins as shown at Table 11.

The Commission’s calculations of normal values are in **Confidential Attachment 4**.

### 3.5. Dumping margins

#### 3.5.1. Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB. Dumping margins are expressed as a percentage of the export price.

Dumping margins and the volume of dumped goods cannot be negligible, otherwise the investigation must be terminated. Whether the dumping margins and volume of dumped goods are negligible is assessed under section 269TDA.

#### 3.5.2. The Commission's assessment

The table below summarises the dumping margins estimated by the applicant and dumping margins estimated by the Commission based on revisions to export prices and normal values.

Country	The Applicant’s estimate	The Commission’s estimate
Thailand	78.1%	17.7%
Zhongya Aluminium (China)	23.9%	6.8%
Jiangsheng Aluminium (China)	23.9%	7.8%

**Table 12 – Estimated dumping margins**

The Commission’s calculations of estimated dumping margins are in **Confidential Attachment 4**.

### 3.6. Volumes

Based on the Commission’s estimates, using information from the DIBP import database, imports of aluminium extrusions from Jiangsheng Aluminium and Zhongya Aluminium from China and Thailand, for each country, individually represent more

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than 3 per cent of the total import volume of aluminium extrusions for the period 1 July 2016 to 30 June 2017, and are therefore are not negligible as defined in subsection 269TDA(4).

The Commission's estimates of the size of imports of aluminium extrusions are contained in **Confidential Attachment 2**.

## 4. Reasonable grounds – injury to the Australian industry

### 4.1. Findings

Pursuant to subsection 269TC(1)(c), having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced injury in the form of:

- price suppression;
- suppressed profitability;
- suppressed profit;
- loss of market share; and
- suppressed return on investment.

### 4.2. Legislative framework

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the Australian industry has experienced material injury. This issue is considered in the following sections.

### 4.3. The Applicant's claims

#### 4.3.1. Background

Capral claims that the Australian industry has been injured through:

- price suppression;
- suppressed profitability;
- suppressed profit; and
- suppressed return on investment.

#### 4.3.2. Commencement of injury

In its application Capral stated that:

*"It is Capral's view that material injury sustained in 2015/16 has continued in 2016/17 as exports from China not the subject of interim anti-dumping measures, and exports from Thailand, have increased and displaced exports from Malaysia and Vietnam that were the subject of investigation (and subject to provisional measures from October 2016)."*

### 4.4. Approach to injury analysis

#### 4.4.1. Legislative framework

The matters that may be considered in determining whether the Australian industry has suffered material injury are set out in section 269TAE. The Commission has also had regard to the *Ministerial Direction on Material Injury 2012* (Material Injury Direction).<sup>12</sup>

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<sup>12</sup> Ministerial Direction on Material Injury 2012, 27 April 2012, available at [www.adcomission.gov.au](http://www.adcomission.gov.au)

#### 4.4.2. Data relied on

This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether the Australian industry has suffered injury.

Noting that only Capral provided relevant data to the Commission as part of this application, the Commission's injury analysis is limited to Capral's data and data obtained from the DIBP import database.

It is noted that Capral is the largest manufacturer of aluminium extrusions in Australia and it is estimated that Capral represented more than 40 per cent of the volume of aluminium extrusions produced in Australia during the period 1 July 2016 to 30 June 2017. The Commission is satisfied that Capral's data is relevant and reliable and is sufficient for the purpose of assessing injury to the Australian industry for the purposes of this report. As outlined further below at section 5.7, Capral's data alone may not be sufficient for assessing injury to the Australian industry as a whole as the investigation progresses.

#### 4.4.3. Injury analysis period

The purpose of the injury analysis period is to allow the Commission to identify and examine trends in the Australian market which in turn assists the Commission in its examination of whether material injury has been caused by dumping over the investigation period.

The injury analysis period for the purposes of this report is from 1 July 2013. All figures below compare years ending 30 June.

As noted in section 1.3 and Table 8, the investigation will focus on an investigation period and injury analysis period that is more contemporaneous by one quarter to that examined in this report. In addition, the Commission will incorporate data from other participating Australian aluminium extrusion producers, meaning that the following analysis is subject to change.

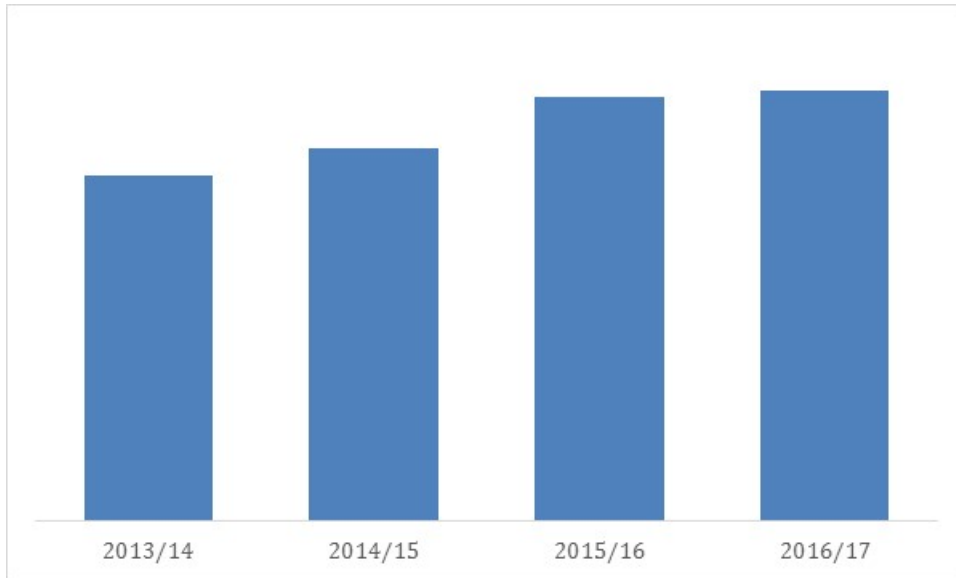
The Commission also notes that, as outlined in more detail at section 5.2.1, the proposed injury analysis period in respect of this investigation has been affected in various ways by dumping and subsidisation of the goods from China, Malaysia and Vietnam. This is important as it provides context for section 4 and 5 of this report.

### 4.5. Volume effects

Capral did not claim lost sales volume or lost market share as an injury factor in its application.

#### 4.5.1. Sales volume

Figure 3, below, shows that Capral's domestic sales volumes of all finish types of aluminium extrusions increased in each year from 2013/2014.

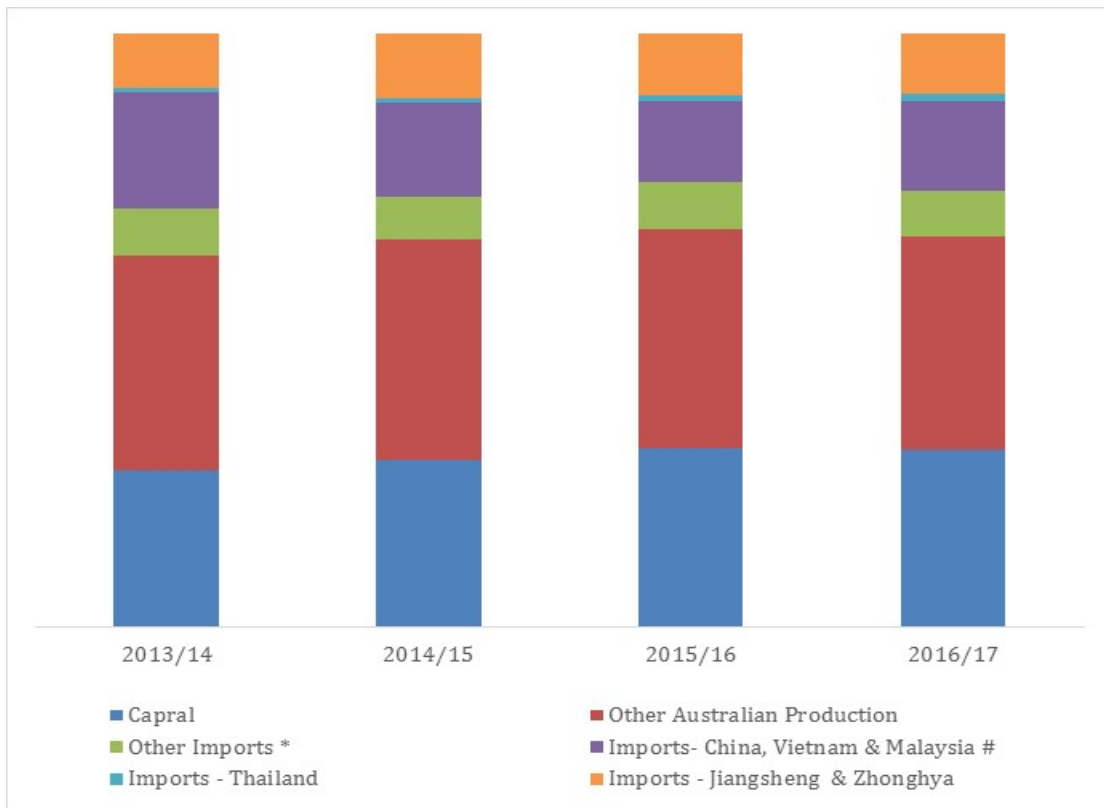


**Figure 3 – Capral’s domestic sales of aluminium extrusions**

Figure 3 illustrates that Capral’s domestic sales volume has increased each consecutive year between 2013/14 and 2016/17. However, the growth was marginal in 2016/17.

**4.5.2. Market share**

Figure 4 illustrates that the Australian industry’s share of the Australian market increased each year between 2013/14 and 2015/6 and marginally declined in 2016/17.

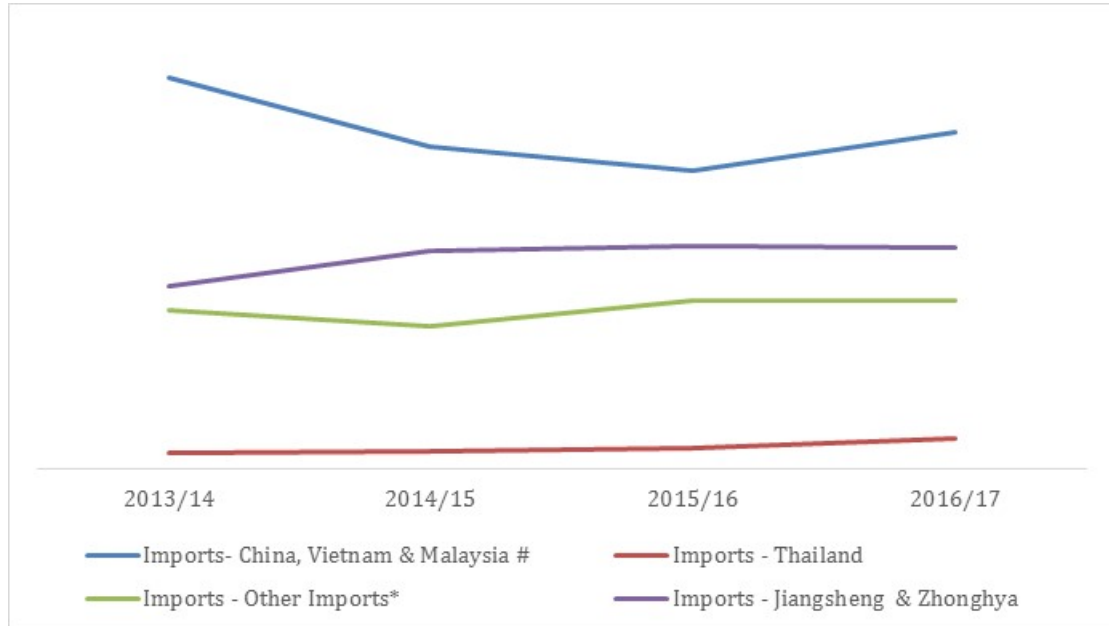


**Figure 4 – Australian market share for aluminium extrusions**

# Excludes imports from Jiangsheng Aluminium, Zhongya Aluminium and Malaysian exporters not subject to measures  
 \*Includes imports from Malaysian exporters not subject to measures

#### 4.5.3. Import volumes

Figure 5 below, shows the Commission’s estimates of import volumes for the injury analysis period.



**Figure 5 – Import volumes by country**

# Excludes imports from Jiangsheng Aluminium, Zhongya Aluminium and Malaysian exporters not subject to measures  
 \*Includes imports from Malaysian exporters not subject to measures

Figure 5 illustrates that, import volumes from:

- China (excluding Jiangsheng Aluminium and Zhongya Aluminium), Vietnam and Malaysia (excluding Malaysian exporters not subject to measures) declined between 2013/2014 and 2015/16, before increasing in 2016/17. It is noted the import volumes in 2016/17 are below the import volumes achieved in 2013/14;
- countries not subject to anti-dumping measures and by Malaysian exporters not subject to anti-dumping measures<sup>13</sup> declined in 2014/15, increased in 2015/16 and remained relatively stable in 2016/17 (increased by less than 1 per cent);
- Thailand have increased each year from 2013/14. It is noted the largest increase was in 2016/17 and that the 2016/17 import volume is almost double of that in 2013/14, albeit from a low base; and
- Jiangsheng Aluminium and Zhongya Aluminium increased between 2013/14 and 2015/16 and have remained relatively stable in 2016/2017.

#### 4.5.4. Conclusion – volume effects

The Commission’s analysis indicates that, whilst the applicant has not lost market share during 2016/2017, the Australian industry as a whole may have suffered a marginal decline in market share in 2016/17.

#### 4.6. Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred,

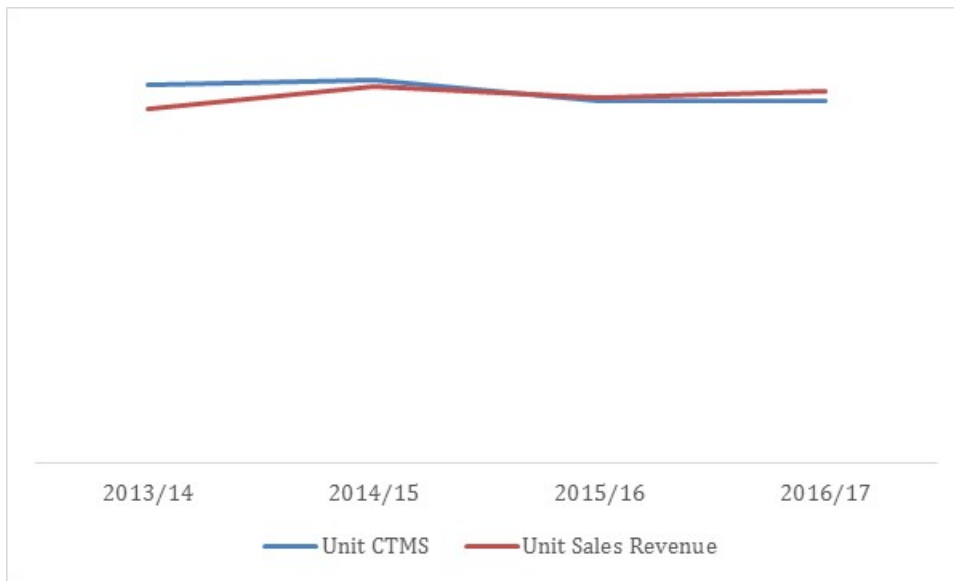
<sup>13</sup> Based on findings in Investigation 362

have been prevented. An indicator of price suppression may be the margin between prices and costs.

In its application, Capral claims that it has suffered injury in the form of price suppression, but not price depression. Capral states that:

*“...It was Capral’s expectation (and the expectation of other industry members) that it would experience a period of recovery following the imposition of measures on exporters in Malaysia and Vietnam”; and that “...this has not materialised as importers sourced goods from the two Chinese exporters not the subject of measures, and all exporters from Thailand.”*

Figure 6 below shows the movement in weighted average unit cost to make and sell (CTMS) and unit selling prices provided by Capral over the injury analysis period.



**Figure 6 – Capral’s unit CTMS and unit selling prices of aluminium extrusions**

Figure 6 above illustrates that:

- Capral’s unit selling price increased in 2014/15, declined in 2015/16 and increased in 2016/17;
- Capral’s unit CTMS increased in 2014/15, declined in 2015/16 and remained stable in 2016/17.
- in 2015/16 and 2016/2017 Capral unit selling price exceeded unit CTMS, e.g. that its sales were marginally profitable.

**5.6.1. Conclusion – price effects**

Based on the above, there appear to be reasonable grounds to support Capral’s claims that the Australian industry suffered injury in the form of price suppression based on the relative difference between prices and costs and the marginal profit achieved by Capral.

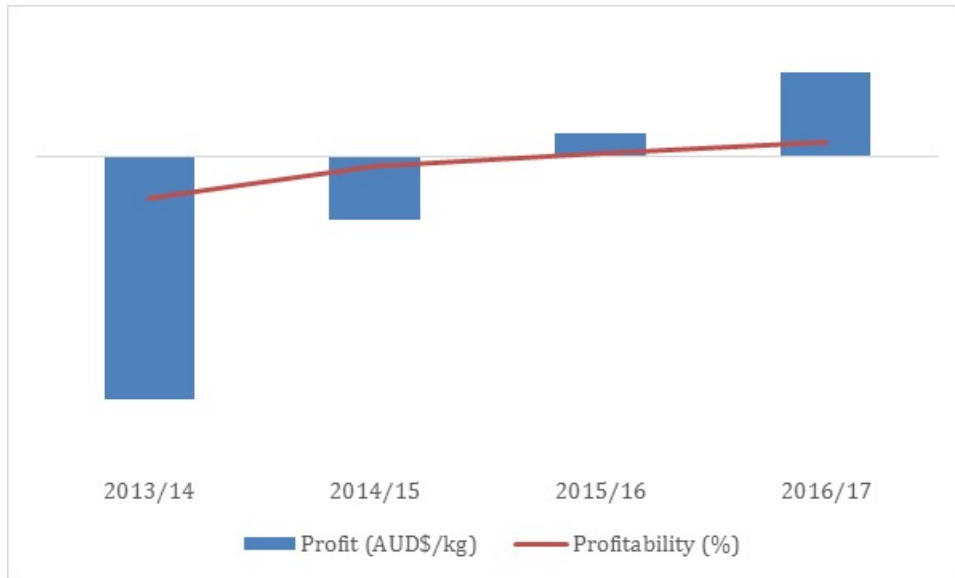
Such a conclusion is supported by the Material Injury Direction which states that in cases where it is asserted that the Australian industry would have been more prosperous if not for the presence of dumped or subsidised goods, the Commissioner is directed to be mindful that a decline in the Australian industry’s rate of growth may be just as relevant as the movement of an industry from growth to decline.



#### 4.7. Profit and profitability effects

In its application Capral claims that it has suffered injury resulting from suppressed profit and profitability. Capral states that it has “suffered profitability injury at levels slightly above breakeven (and substantially below less than adequate returns required for a capital intensive business)”.

Figure 7 below shows Capral’s total profit and unit profitability over the injury analysis period.



**Figure 7 – Capral’s profit and profitability of aluminium extrusions**

Figure 7 illustrates that Capral’s profit and profitability has improved over the injury analysis period, with marginal profit and profitability achieved in 2015/16 and 2016/17.

##### 4.7.1. Conclusion – profit and profitability effects

In the context of the marginal level of profitability achieved by Capral and the Material Injury Direction, there appear to be reasonable grounds to support the claim that the Australian industry has suffered injury in the form of suppressed profits and suppressed profitability.

#### 4.8. Other injury factors

Capral claimed injury from suppressed return on investment.

Capral provided data at Confidential Appendix A-7 in support of its claims on a calendar years covering the period 1 January 2013 to 30 December 2016.

The Commission analysed Capral’s Confidential Appendix A-7 and makes the following observations.

##### Assets

The value of assets applied to the production of like goods and other production has consistently declined between 2013 and 2016.

##### Capital expenditure

Capital investment has fluctuated over the period between 2013 and 2016, noting there was a decline in 2016. The capital investment in 2016 was marginally higher than in 2013.

Capacity and capacity utilisation

Capacity has remained stable between 2013 and 2016. Capacity utilisation has increased over the same period.

Return on investment

Return on investment fluctuated over the period between 2013 and 2016, showing a positive return in 2014 and 2016. The positive return in 2016 was greater than the positive return in 2014. The largest negative return was in 2015.

Employment numbers

Employment numbers have consistently increased over the period between 2013 and 2016.

Revenue

Revenue has consistently increased over the period between 2013 and 2016.

**4.8.1. Conclusion – other injury factors**

In the context of the marginal return on investment achieved by Capral and the Material Injury Direction, there appear to be reasonable grounds to support the claim that the Australian industry has experienced suppressed return of investment.

**4.8.2. The Commission's assessment**

The Commission considers that there appear to be reasonable grounds to support that the Australian industry has experienced injury in the form of:

- price suppression;
- suppressed profitability;
- suppressed profit;
- loss of market share; and
- suppressed return on investment.

The Commission's assessment of the economic condition of the Australian Aluminium industry forms **Confidential Attachment 5**.

## 5. Reasonable grounds – causation factors

### 5.1. Findings

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury caused by dumping and that the injury is material.

### 5.2. Cause of injury to the Australian industry

#### 5.2.1. Background

In assessing the materiality of injury, the Commission notes chapter 21 of the Manual, which states that causal effects may be examined using what is termed a 'coincidence' analysis; by comparing the state of the Australian industry in the investigation period to a point in time prior to the injury having commenced; or using a 'but for' analytical method.

The proposed injury analysis period in respect of this investigation has been affected in various ways by dumping and subsidisation of the goods from China, Malaysia and Vietnam.

For example, Capral have previously stated that it experienced ongoing material injury due to the circumvention of anti-dumping measures in relation to China by PanAsia. Capral state that the circumvention activities were not addressed until an anti-circumvention inquiry was completed in February 2015. Capral also acknowledge in its annual reports<sup>14</sup> that the outcomes of Review No. 248 (which concluded in August 2015) led to some improvement to its profit levels. Review No. 248 in general resulted in increased anti-dumping measures against Chinese exporters.

As part of Investigation 362, Capral claimed that, despite the positive outcome of the anti-circumvention inquiry and Review 248, the state of the Australian industry had improved but not as expected, due to the emergence of dumped and subsidised imports from Malaysia and dumped imports from Vietnam. As part of this application, Capral claims that the anti-dumping measures in relation to Malaysia and Vietnam have not had the desired effect, due to the emergence of dumped goods from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand. The history of these past cases was previously outlined at section 2.4.

The existence of the above events throughout the injury analysis period, makes it difficult for the Commission to assess the materiality of injury using a 'coincidence analysis'.

Where a 'coincidence analysis' is not possible, the Commission may undertake an alternate analytical method, such as a 'but for' analysis, when examining causal effects. Under a 'but for' analysis it may be possible to compare the current state of the Australian industry to the state that the Australian industry would likely have been in if there had been no dumping and/or subsidisation.

Noting the effects of Chinese, Malaysian and Vietnamese sourced goods on earlier years of the injury analysis period, the Commission may, where necessary, conduct a 'but for' analysis to determine what the economic condition of the Australian industry for this investigation, in terms of prices and profits, would have been, if aluminium extrusions were not exported from China by Jiangsheng Aluminium and

<sup>14</sup> [www.capral.com.au/ArticleDocuments/238/Annual%20Report%202016.pdf.aspx](http://www.capral.com.au/ArticleDocuments/238/Annual%20Report%202016.pdf.aspx)

Zhongya Aluminium and Thailand at dumped prices. A but for analysis requires careful consideration but is supported by the Material Injury Direction which states that in cases where it is asserted that the Australian industry would have been more prosperous if not for the presence of dumped or subsidised goods, the Commissioner is directed to be mindful that a decline in the Australian industry's rate of growth may be just as relevant as the movement of an industry from growth to decline.

The Commission notes that the anti-dumping measures in relation to Malaysia and Vietnam were imposed on 27 June 2017. This means that, at the time of this report, there is limited data available to examine Capral's claims that, following the imposition of those measures, the state of the Australian industry has not improved as expected due to the emergence of dumped goods from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand. The Commission will further investigate Capral's claims that injury suffered by the Australian industry from allegedly dumped exports is one of (a) material injury or (b) threat of material injury, during the course of the investigation.

### 5.2.2. Legislative framework

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the material injury suffered by the Australian industry was caused or threatened by dumping. This issue is considered in the following sections.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused or threatened by dumped or subsidised goods or is are set out in section 269TAE.

### 5.2.3. Cumulation of injury

Subsection 269TAE(2C) sets out the requirements for assessing the cumulative material injury effects of exports of goods to Australia from different countries. Where exports from more than one country are simultaneously the subject of an investigation, the Parliamentary Secretary may cumulatively assess the effects of such imports if:

- the margin of dumping established for each exporter is not negligible; and
- the volume of dumped imports from each country is not negligible; and
- cumulative assessment is appropriate in light of the conditions of competition as between the imported goods and between the imported goods and the like domestic goods.

The Commission considers that there are reasonable grounds to support that:

- as outlined in chapter 3, the margin of dumping for exporters from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand and is not negligible;
- as outlined in chapter 3, the volume of dumped imports from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand is not negligible;
- as outlined in chapter 2 and based on previous investigations, reviews and inquiries, the conditions of competition between imported products and between imported and domestically produced aluminium extrusions are similar.

Based on the above, the Commission has cumulatively assessed the injury from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand for the

purposes of this report. Further consideration will be given to this issue during the investigation.

**5.2.4. Size of the dumping margins**

Under subsections 269TAE(1)(aa) and 269TAE(1)(ab), the Parliamentary Secretary may have regard to the size of each of the dumping margins in respect of the goods exported to Australia.

The dumping margins outlined in chapter 3 were 7.8 per cent for Jiangsheng Aluminium, 6.8 per cent for Zhongya Aluminium and 17.7 per cent for Thailand, all of which are not negligible.

The Commissioner is satisfied that the dumping margins are likely to enable importers of aluminium extrusions to have a competitive advantage on price compared to the Australian industry.

**5.3. The Applicant’s claims**

The table below summarises the causation claims of the applicant.

<b>Injury caused by dumping</b>
<p><u>Volume effects</u></p> <p>Whilst not claiming lost sales volumes, Capral claims that, dumped exports from the two Chinese exporters, Jiangsheng Aluminium and Zhongya Aluminium, along with exports from Thailand, have displaced export volumes from Malaysia and Vietnam following the commencement of Investigation No. 362.</p> <p><u>Price effects</u></p> <p>Capral claims that that availability of dumped exports from China (from exporters not the subject of measures) and Thailand have prevented Capral from recovering sales volumes of dumped exports from Malaysia and Vietnam the subject of measures, on a competitive (and fairly) priced basis. This has resulted in suppression of its pricing.</p> <p><u>Profit effects</u></p> <p>Capral claims that it has continued to operate at levels of suppressed selling prices (and consequently, suppressed profits and profitability) in 2016/17 as injurious exports from the two Chinese exporters Jiangsheng Aluminium and Zhongya Aluminium, in conjunction with exports from Thailand, have displaced exports at dumped (and subsidised) prices from Malaysia and Vietnam.</p>
<b>Injury caused by other factors</b>
<p>Capral considers that the Australian market for aluminium experienced a slight decline in 2016/17.</p>

**Table 13 – Capral’s causation claims**

**5.4. Volume effects**

The Commission considers that the volume of imports from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand (collectively representing approximately 33 per cent of total imports) are substantial enough to have impacted the Australian industry’s prices and profit, as discussed below.

The Commission notes that the market for aluminium extrusions appears to have expanded over the injury analysis period. Whilst Capral claim that the market declined slightly in 2016/17, the Commission’s analysis indicates that market increased in size during 2016/17, albeit at a slower rate than in 2015/16.

## 5.5. Price effects

### 5.5.1. General comments

The Commission accepts that customers can purchase either from the Australian industry or from an import supply source. Import offers and movement in the price of import offers can therefore be used to negotiate prices with the Australian industry. Based on previous investigations, reviews and inquiries, the Commission established that the Australian market for aluminium extrusions is price sensitive and that the Australian industry is required to respond to the price of imports in order to remain price competitive.

### 5.5.2. Export price analysis

The Commission conducted analysis of FOB export prices for the injury analysis period using the methodology applied as specified in section 2.6 of this report. This analysis indicates that:

- Thai export prices are below the Chinese export prices and above the export prices for Vietnam and Malaysia;
- over the injury analysis period, the amount by which Thai export prices were below Chinese prices increased;
- over the injury analysis period, the margin between the Thai export prices and the lower Malaysian and Vietnamese export prices reduced;
- it is noted that a substantial volume of the goods in relation to Thailand exhibit an export price outside the price range adopted in the Commission's filtering of DIBP import data (\$2.00 to \$10.00). If these goods are included in the export price analysis for China, Malaysia, Vietnam and Thailand, the average Thai export prices are substantially below that of all the other countries. The Commission examined the description of these goods in the DIBP database and the reported volumes and does not consider the low prices to have resulted from errors in the DIBP database. However, these transactions have been excluded for the purposes of this report to ensure consistency with the approach taken in prior investigations, reviews and inquiries. These transactions will be further examined during the investigation.

The Commission conducted a comparative analysis of the export pricing for both Jiangsheng Aluminium and Zhongya Aluminium in relation to other Chinese exporters. This analysis compared Jiangsheng Aluminium and Zhongya Aluminium's export price at an FOB level, with the export prices for the other Chinese exporters including any interim dumping and countervailing duty payable. The Commission's analysis indicates that the export price for one of Jiangsheng Aluminium and Zhongya Aluminium was below the other Chinese exporters' prices, whereas for the other it was above.

The Commission was unable to account for the effect of differences in prices for various finish types in its analysis. Different finish types incur substantially different costs and, as a consequence, can materially impact on export prices and any pricing analysis. The Commission anticipates that it will be able to more accurately analyse export prices based on finish types during the investigation.

### 5.5.3. Price undercutting

Price undercutting occurs when imported product is sold at a price below that of the Australian industry.

Capral provided 8 examples of head to head competition resulting in price undercutting with its application. Evidence gathered by Capral relies on its own

market intelligence. For three of the examples provided, Capral indicated that it had either lost sales or was required to reduce its pricing as a result of the price offers. The other five examples provided evidence of price offers for aluminium extrusions supplied by either Jiangsheng Aluminium, Zhongya Aluminium or a Thai exporter which were below the equivalent Capral prices.

To substantiate Capral's claims of price undercutting and the evidence provided, the Commission compared Capral's selling prices to reasonable estimates of the selling prices of imports from China and Thailand into the Australian market at free into store prices. To estimate the free into store prices the Commission added:

- for China, verified post exportation and importation costs (including ocean freight, marine insurance, customs duty and clearance charges, Australian inland transport) from a weighted average of importers in Review 392 to FOB export prices obtained from the DIBP import database; and
- for Thailand, verified post exportation and importation costs (including customs duty (excluding dumping and countervailing duty) and clearance charges, Australian inland transport) from imports in Review 392 and the ocean freight and marine insurance freight costs from a verified Malaysian exporter in Investigation 362 to the FOB export prices obtained from the DIBP import database.

The Commission again notes that it is unable to accurately filter the DIBP import database by finish type, noting that different finish types incur substantially different costs. For example, costs to make anodised aluminium extrusions can be upwards of 20 per cent higher than that of mill finish aluminium extrusions. This cost difference reflects the higher costs required to conduct additional manufacturing processes.

Figure 8, below, shows that over the financial year 2016/2017 Capral's weighted average selling prices for all finish types of aluminium extrusions were undercut by the estimated selling prices of imports from Thailand and by one of the exporters from China subject to this application.

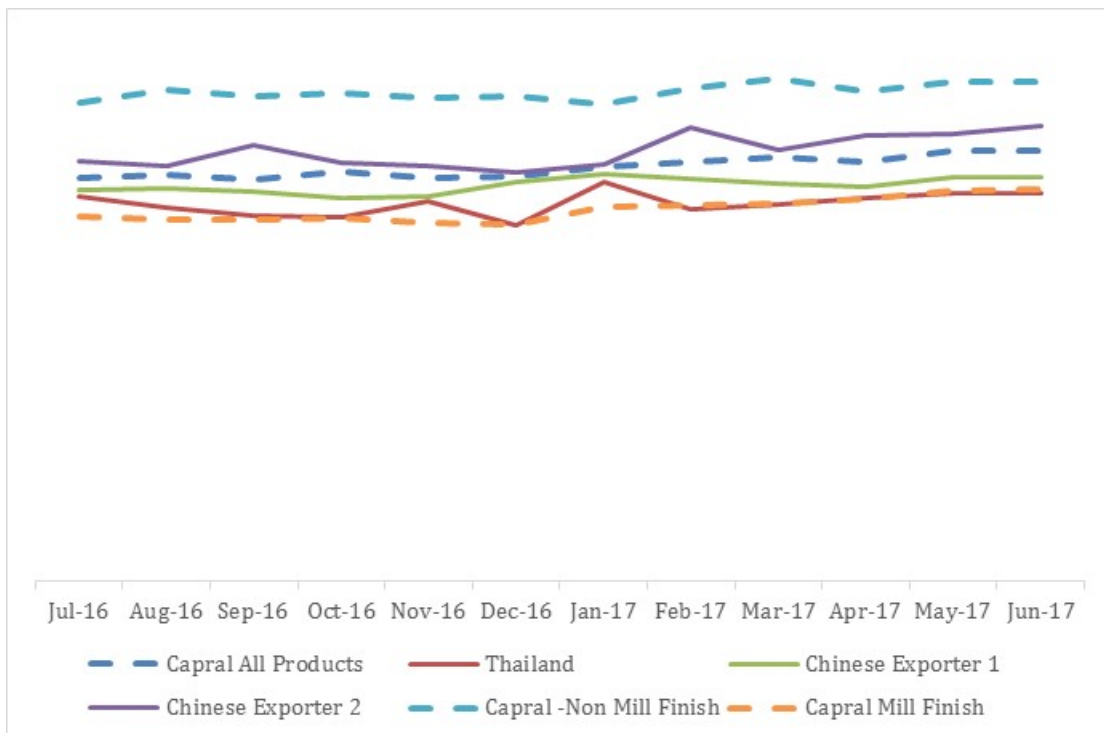


Figure 8 - Price undercutting

Even though the Commission is unable to accurately account for the impact of differing finish types in the weighted prices used, the above chart demonstrates that all import pricing is below Capral's non-mill finish prices and is within the spread of Capral's pricing for different finish types.

In relation to the Chinese exporter for which the analysis did not identify undercutting on an aggregated level, Capral in their application provided specific pricing evidence which demonstrated that Capral's price offers were above the price offers for aluminium extrusions supplied by that exporter for both mill and non-mill finish types.

Having considered the evidence provided by Capral and the Commission's own undercutting analysis, the Commission considers that there are reasonable grounds to establish evidence of price undercutting for the purposes of this report, however this will be further examined during the investigation.

The Commission's price undercutting analysis is at **Confidential Attachment 6**.

## **5.6. Injury from factors other than dumping**

Capral did not attribute any of its injury to factors other than dumping in its application. Capral identified that the Australian market for aluminium extrusions experienced a slight decline in 2016/17. However, the Commission's own assessment is that the Australian market for aluminium extrusions grew marginally during this period.

The Commission will examine other potential causes of injury during the investigation. These will include, but are not limited to:

- the factors specified under subsection 269TAE(2A) that the Parliamentary Secretary may have regard to when considering whether injury is being caused by factors other than the exportation of the allegedly dumped goods;
- volume and prices of imports from Malaysia which are not subject to anti-dumping measures;
- cost profiles of the Australian industry; and
- other factors raised in submissions.

## **5.7. Conclusion – material injury caused by dumping**

The Commission considers that based on:

- the substantial import volumes of aluminium extrusions to Australia from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand;
- the size of the dumping margins; and
- the preliminary assessment of price undercutting,

there appear to be reasonable grounds to support the claim that dumping of aluminium extrusions exported from China by Jiangsheng Aluminium and Zhongya Aluminium and Thailand caused material injury to the Australian industry.

While the Commissioner is satisfied that the threshold to initiate an investigation has been met (appears to be reasonable grounds), the threshold to publish a dumping notice is higher.

The Commission also notes that the volume of production from producers of aluminium extrusions in Australia, other than Capral, is close to 60 per cent of the total Australian production. Consequently, the Commission will seek sales and cost data from other Australian aluminium extrusion producers as part of this investigation to allow for a more accurate and complete injury and causation assessment to be completed.



## 6. Appendices and attachments

Attachments	Confidentiality	Title
Attachment 1	Public	Public notice
Attachment 2	Confidential	Commission's estimates of the size of the Australian market for aluminium extrusions
Attachment 3	Confidential	Capral's calculation of export prices and normal values
Attachment 4	Confidential	Commission's calculations of export prices, import volumes, normal values and dumping margins
Attachment 5	Confidential	Commission's assessment of the economic condition of the Australian Aluminium Industry
Attachment 6	Confidential	Commission's price undercutting and pricing analysis