

29 September 2016

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## Public File

Dear Mr Crooks

### Re Investigation No. 362 – Submission by Press Metal Aluminium (Australia) Pty Ltd

#### I. Introduction

I refer to the submission dated 22 September 2016 by Press Metal Aluminium (Australia) Pty Ltd (“PMAA”) which it is stated is on behalf of Press Metal Berhad (“PMB”) of Malaysia concerning Capral Limited’s (“Capral”) for dumping and countervailing measures on exports of aluminium extrusions from Malaysia and Vietnam, and the recent publication of Consideration Report No. 362.

It is asserted by PMAA that:

- (i) PMB did not receive any countervailable subsidies in respect of the goods exported to Australia during the 2015/16 investigation period;
- (ii) The exports by PMB were not dumped; and
- (iii) The Australian industry manufacturing like goods has not suffered injury that can be attributed to exports by PMB.

#### II. Countervailable subsidies

PMAA’s submission confirms that the PMB subsidiary companies Press Metal Sarawak Sdn Bhd (“PM Sarawak”) and Press Metal Bintulu Sdn Bhd (“PM Bintulu”) are eligible for subsidies provided by the Government of Malaysia (“GOM”). Specifically, PMAA confirms that PT Bintulu qualifies for benefits receivable under the GOM’s Pioneer Status program and PM Sarawak is eligible for benefits under the GOM’s Investment Tax Allowance program.

PMAA contends that PM Bintulu and PM Sarawak have not received a level of benefit that would be considered significant. Capral does not consider PMAA’s comments to be decisive in influencing the Anti-Dumping Commission’s (“the Commission”) assessment as to the level of benefit received by either entity under the identified programs.

#### III. Dumping

It is noted that PMAA disputes Capral’s assessment of prima facie normal values and information relied upon for export prices included in Capral’s application for anti-dumping and countervailing measures.

The purpose of Investigation No.362 is to establish the true levels of normal value, export price and relevant dumping margins.

#### IV. Material injury

PMAA has submitted that the Commission's analysis of injury to the Australian industry must consider the impact of the injurious exports to the Australian industry as a whole. Capral anticipates that the Commission will contact other Australian industry manufacturers of aluminium extrusions to assess the impact of the injurious exports.

It is noted by Capral that PMAA has argued that the the industry is in a 'cyclical global downturn' and that margins have been eroded. Capral's application was specific as to the forms of injury experienced by it in 2015/16. Demand for aluminium extrusions in Australia in 2015/16 did not experience a 'downturn' as eluded to by PMAA. Capral rejects PMAA's assessment as to any apparent downturn that it describes as the 'normal ebb and flow of business'. This is not apparent in the industry data available to Capral in 2015/16.

At Section 4.3 of PMAA's submission, PMAA argues that the material injury indicators as provided by Capral in its application are not reflected in Capral's annual reports, or consistent with "industry trends". Capral notes that PMAA's comments are based upon assumptions that are incorrectly determined. For example, PMAA has suggested that it could calculate Capral's margin using revenues disclosed in annual reports contracted with LME aluminium prices. However, this basic analysis does not take full account of all costs incurred by Capral including the MJP premium for aluminium and certain product premiums. Further the revenue amount used includes additional sales revenue for all Capral sales which includes a significant volume of sales of products beyond those that fall within the goods description of the application (eg rolled products, hardware etc).

The PMAA analysis is therefore purely speculative and arbitrary.

Having relied upon incorrect assumptions to challenge Capral's financial position as outlined in the application, PMAA has sought to dismiss any injury experienced by Capral as 'not material'. PMAA suggests that any injury experienced by Capral is that:

- (i) which occurs in the normal ebb and flow of business; and
- (ii) which is 'overstated' by Capral itself (but again states that it is injury that occurs in the normal ebb and flow of business).

Capral has demonstrated in the required form that it has experienced a deterioration of margin in the 2015/16 year, resulting a diminution of profit and profitability. The Commission's investigation will confirm whether this injury is material and can be attributed to the price-effects of dumped and subsidised exports from Malaysia and Vietnam.

#### V. Causation

PMAA further claims that injury experienced by Capral cannot be attributed to export volumes from Malaysia due to apparent profit increases for Capral in each of the 2013/14 and 2014/15 years which "does not correlate with increased imports from Malaysia". This presumption does not take account of the level of profit used in the base year for the injury period (i.e. the level of loss encountered).

PMAA has sought to attribute injury experienced by Capral to matters other than dumping and subsidisation including the forthcoming closure of motor vehicle production in Australia, an alleged decline in the construction industry since 2013 (which according to ABS statistics is incorrect), and the impact of the high Australian dollar (which precedes the investigation period) as possible causes of injury to the Australian aluminium extrusions industry.

It is Capral's position that had these impacts occurred it would be entirely inconsistent with expectations for export volumes from Malaysia and Vietnam to have continued to grow since 2011/12. As indicated,

demand for aluminium extrusions in the Australian market has not declined over the last three years, and there has been no contraction of demand in the total Australian market.

Finally, PMAA has sought to also attribute injury to the Australian industry due to the dumped and subsidised aluminium extrusion exports from China. The anti-dumping and countervailing measures applicable to aluminium extrusions exported from China heavily influence the Chinese export prices to Australia. Capral notes the Commission's assessment in Consideration Report No. 362 (refer Figure 7, Section 6.5, P.33) that confirms export prices from Malaysia and Vietnam for aluminium extrusions are demonstrably lower than Chinese export prices to Australia across the injury analysis period. This confirms Capral's understanding that export volumes from Malaysia and Vietnam have only been able to increase market share in an accelerated manner due to the price undercutting of Chinese exports (and the sales of Australian industry members).

Capral will make further representations on material injury and causal link during the course of Investigation No. 362.

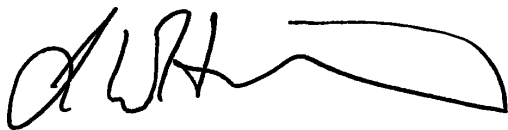
VI. Conclusions

Capral acknowledges that the Commission's investigation will establish whether exports to Australia by PMB are at dumped and subsidised prices. PMAA's claims that the injury experienced by Capral is overstated and that dumping and subsidisation from Malaysia is not the cause of injury experienced by Capral is speculative. Similarly, attempts to attribute injury to factors other than dumping and subsidisation are not supported by the available evidence.

Capral looks forward to assisting the Commission with its inquiries.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 8222 0113 or Capral's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely



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