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Ms Candy Caballero
Director, Operations 3
Anti-Dumping Commission
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Dear Ms Caballero

Anti-circumvention inquiry – Aluminium extrusions exported from China

This submission is made on behalf of Oceanic Aluminium Pty Ltd (Oceanic), P&O Aluminium (Perth) Pty Ltd (P&O Perth) and P&O Aluminium (Sydney) Pty Ltd (P&O Sydney). The three companies are collectively referred to as the 'subject importers' throughout this submission.

The submission is made in response to Capral Ltd's (Capral) submission of 20 August 2014.

In its submission, Capral proposes that "should circumvention activity be found, export prices should be reascertained using the deductive method with an amount for profit included in the deductions". Capral goes on to submit that following "further analysis" a profit of 10.9% "is a better estimate of the level of profit that should reasonably be achieved by an importer/distributor of building products during the inquiry period." The asserted "better estimate" is more than double the rate of profit proposed by Capral in its application and noted by the Commission in its Consideration Report as falling within the "reasonable" profit range verified in the original P&O visit report.

Capral also states that ... "[We] have avoided any companies that primarily deal in aluminium, steel or flat glass products, as these sectors are affected by dumped imports." Indeed they are, but that is the very reason why they provide relevant comparisons because the publication of a dumping notice distorts the market for the goods to which it applies, including the inevitable suppression of profits. The Commission has correctly noted this outcome in its observation that:

Further, recognising that profit reduction can be a legitimate business practice, it is not a circumvention activity if an importer, who is truly independent of the exporter from whom it purchases its goods, is absorbing the payment of the dumping and/or countervailing duty through a partial reduction in profit.

Against this background the Commission must reject Capral's revised and self-serving profit rate proposal. Capral has been clearly selective in the companies used to calculate the average rate of profit and provides no information to demonstrate that the selected companies provide a reasonable and comparable benchmark to the subject importers for the purposes of establishing a rate of profit. In fact, the 'further analysis' referred to in Capral's submission is nothing more than the average of five irrelevant profit figures.

Capral has made no attempt to explain why these selected companies are representative of the subject importers in terms of their activities, size, product range or workforce.

The subject importers have reviewed the information submitted by Capral and gathered further information from the websites of the selected companies to prepare a detailed comparative analysis of the companies proposed by Capral and the subject importers (Attachment 1). The comparison clearly shows that none of the companies proposed by Capral are comparable to the subject importers. Each of the selected companies is either a manufacturer and/or retailer. Each of the selected companies are significantly larger in terms of turnover and workforce than the subject importers. Each of the selected companies supply branded and/or exclusive product ranges. Each of the selected companies have significant distribution networks for the marketing and sales of their products.

Therefore, it is clear that the rate of profit submitted by Capral is flawed as it relies on information from companies which have little or no characteristics that resemble the operations of the subject importers. Accordingly, the Commission should dismiss Capral's proposed rate of profit as having no relevance to the anti-circumvention inquiry.

In our view, in the event that the Minister unlawfully specifies alterations to the variable factors in the original dumping duty notice, the rate of profit used in the recalculation of export price should be zero.

Yours sincerely

John Bracic

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ATTACHMENT 1

Characteristic	Beacon Lighting Group Pty Ltd	CSR Ltd (Building Products)	Dulux Group Pty Ltd	GWA Group Pty Ltd	Reece Australia Pty Ltd	Oceanic, P&O Perth and P&O Sydney
Function	Vertically integrated retail business which develops, designs, sources, imports, distributes, merchandises, promotes and sells its product range.	CSR is a significant manufacturer of well-known brands within the building industry.	Dulux is a significant manufacturer and marketer of a diverse range of products.	GWA is a designer manufacturer, importer and distributors of building fixtures and fittings.	Reece is a significant supplier of bathroom and plumbing products to the trade sector and direct to consumers via their retail showrooms. Reece's activities include importing, wholesaling, distribution, marketing and retailing.	The subject importers are importers and distributors. Unlike the other companies in this table, they do not manufacture any of the products sold or sell to the retail sector.
Revenue	\$153.1m (annualised figure based on 26 weeks financial period ending 29 December 2013). Represents X times the revenue of P&O Perth, X times the revenue of Oceanic and X times the revenue of P&O Sydney.	\$1.029bn (building product division only). Represents X times the revenue of P&O Perth, X times the revenue of Oceanic and X times the revenue of P&O Sydney.	\$1609bn (annualised figure based on half year ended 31 March 2014). Represents X times the revenue of P&O Perth, X times the revenue of Oceanic and X times the revenue of P&O Sydney.	\$576.2m (annualised figure based on half year to 31 December 2013). Represents X times the revenue of P&O Perth, X times the revenue of Oceanic and X times the revenue of P&O Sydney.	\$1.688bn (annualised figure based on half year to 31 December 2013). Represents X times the revenue of P&O Perth, X times the revenue of Oceanic and X times the revenue of P&O Sydney.	Revenue for 2013 amounted to: - \$Xm for P&O Sydney; - \$Xm for Oceanic, and - \$Xm for P&O Perth.
Workforce	Has more than 700 team members	As at 31 March 2014, CSR had 2,985 full-time equivalent employees across its operations in Australia and New Zealand.	Dulux employs approximately 3,800 people around the world.	GWA had 1,681 employees at 30 June 2014.	Reece has over 3,500 staff.	Employees as at 31 May 2014 were: - X for Oceanic, - X for P&O Sydney, and - X for P&O Perth.
Sales & distribution	As at 29 June 2014, Beacon Lighting operated 71 Beacon Lighting Company Operated (retail) Stores and 14 Beacon Lighting Franchise Stores. Beacon Lighting's stores operate under a variety of sizes currently ranging from approximately 300m2 to 1200m2. The average store size is 738m2.		Dulux supplies a broad range of retail and trade distribution channels. Its products are sold through more than 5,000 retail outlets and 230 trade distribution outlets, including more than 70 Dulux Trade Centres throughout Australia and New Zealand and 14 Parchem Trade Stores in Australia. Dulux's 2013 Annual Report highlights that approximately 37% of		Reece has over 550 outlets in Australia, which includes 400 stores and 300 showrooms selling to retail customers. Reece supplies customers in the trade, retail, professional and commercial markets.	The subject importers had the following number of warehouses as at 31 May 2014: - X for Oceanic, - X for P&O Sydney, and - X for P&O Perth.

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	All stores are leased and located in high traffic homemaker centres or prominent free standing sites with complementary retailers nearby.		the group's sales are through the retail channel.			
Product range	Specialist retailer of lighting, ceiling fans and light globes. The product ranges, many being exclusive, encompass both fashion and design elements as well as pursuing the latest technology for energy efficiency.	Manufactures and sells the following well-known brands and products: <ul style="list-style-type: none"> - AFS Walling Systems; - Bradford Insulation Solutions; - Gyprock Plasterboard; - Hebel Aerated Concrete Solutions - Monier roof tiles; - PGH Bricks & Pavers; - Cemintel Fibre Cement Systems, and - Ceilator Ceiling Solutions. 	Dulux manages a portfolio that includes recognised brands including Dulux, Selleys, Yates, Cabot's, British Paints, Berger, Poly and Hortico. Dulux's diverse range of products includes retail paints, stains and varnishes, protective coatings, decorative concrete, commercial construction concretes and chemicals, industrial waterproofing and jointing systems, powder coatings, automotive refinish coatings, fillers, adhesives, sealants, paint brushes and rollers, specialised household cleaners, garage doors and electronic openers, seeds, fertilisers, pesticides and potting mixes.	GWA's Bathrooms and Kitchens division manufactures and distributes the following Australian brands including Caroma, Caroma Marc Newson, Dorf, Fowler, Stylus, Clark, Epure, Radiant, Irwell, Dux, EcoSmart and international brands including Hansa, KWC, Schell, Virtu, EMCO and Sanitron. GWA's Heating & Cooling division manufactures, imports and distributes the following Australian brands – Bravis and APAC. GWA's Door & Access Systems division manufactures, imports and distributes the following Australian brands including Gainsborough, Trilock, Renovator, Austral Lock, Gliderol, Matador and international brands including Salto, Hillaldam and Eco Schulte.	Reece supplies and markets thousands of exclusive bathroom, plumbing and kitchen products into trade, retail and specialist markets.	The subject importers are importers and suppliers of aluminium extrusion profiles and fabricated aluminium products. A significant portion of those products are generic extruded profiles produced and imported by other competitors in the Australian market.
Other	Beacon Lighting's website states that "the vertically integrated approach to bringing product into the business has enabled the Company to generate gross profit margins that capture the equivalent of the wholesale margin in addition to a retail margin whilst offering competitive pricing to customers."		The EBIT figure used by Capral includes a non-recurring item relating to the "Reversal of excess NZ OCN tax provisions" which impacted on EBIT by A\$5.6m. Further, the EBIT before non-recurring items of A\$90.8m includes EBIT from the company's Paints New Zealand division (A\$9.5m).			