



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 442

ALLEGED DUMPING OF CERTAIN ALUMINIUM EXTRUSIONS

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA BY GUANGDONG
JIANGSHENG ALUMINIUM CO., LTD AND GUANGDONG
ZHONGYA ALUMINIUM COMPANY LIMITED; AND THE
KINGDOM OF THAILAND**

VISIT REPORT – AUSTRALIAN INDUSTRY

CAPRAL LIMITED

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF ANTI-DUMPING COMMISSION**

March 2018

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ABBREVIATIONS

ADN	Anti-Dumping Notice
Capral	Capral Limited
China	People's Republic of China
Con 442	Consideration Report No. 442
CTMS	Cost to make and sell
GUC	Goods under consideration
Jiangsheng Aluminium	Guangdong Jiangsheng Aluminium Co., Ltd
LME	London Metal Exchange
NIP	Non-injurious price
REP 362	Report for investigation number 362
Thailand	Kingdom of Thailand
The Commissioner	Anti-Dumping Commissioner
USP	Unsuppressed selling price
Zhongya Aluminium	Guangdong Zhongya Aluminium Company Limited
Con 442	Consideration Report No. 442
The Goods	The goods the subject of the application
MJP	Major Japanese Ports
EPR	Electronic public record
EBITDA	Earnings before interest, taxes, depreciation and amortization
OEM	Original Equipment Manufacturer
DIBP	Department of Immigration and Border Protection

1 BACKGROUND

1.1 Background

On 19 October 2017, the Anti-Dumping Commissioner (the Commissioner) initiated the investigation into the alleged dumping of Aluminium extrusions exported to Australia from the People's Republic of China (China) by Guangdong Jiangsheng Aluminium Co., Ltd (Jiangsheng Aluminium) and Guangdong Zhongya Aluminium Company Limited (Zhongya Aluminium), and all exporters from the Kingdom of Thailand (Thailand).

The investigation was initiated after the consideration of an application lodged by Capral Limited (Capral). The background relating to the consideration of this application is contained in Consideration Report No. 442 (CON 442).¹ Anti-Dumping Notice (ADN) No. 2017/144² provides further information in relation to the initiation of the investigation.

1.2 Visit to Australian industry

As part of the Commission's investigation, Capral's application and attachments were verified for accuracy and reliability in so far as they related to Capral's company and financial information, production processes and cost to make and sell (CTMS) for the like goods. As part of this verification, the Commission visited Capral's production facilities and corporate offices in Bundamba, Queensland, and Capral's corporate offices situated in Parramatta, New South Wales. As part of the verification, representatives from Capral also attended the Commission's offices.

The purpose of the visits were to also:

- obtain general information about the Australian market for aluminium extrusions;
- gain a greater understanding of the company's manufacturing, marketing and distribution processes;
- obtain additional financial data about claimed injury to the Australian industry; and
- gather information relevant to assessing whether the allegedly dumped imports have caused material injury to the Australian industry.

¹ See record number 4 on the electronic public record (EPR), which is accessible at www.adcommission.gov.au.

² See record number 5 on the EPR.

2 THE AUSTRALIAN INDUSTRY AND LIKE GOODS

2.1 Australian industry

Capral is a manufacturer of aluminium extrusions in Australia. Capral provided details of other industry members in Australia. Capral advised that it is the largest domestic manufacturer of aluminium extrusions and makes up a major proportion of the total Australian market for aluminium extrusions. This proportion is significantly in excess of 25 per cent of manufacture of like goods in Australia.

2.2 Company background and production facilities

Capral is an Australian company listed on the Australian Stock Exchange.

Capral's operations primarily comprise five extrusion plants and distribution centres which are located in New South Wales, Queensland, Victoria, South Australia and Western Australia. The verification team visited Capral's Bremer Park facility and observed various aluminium extrusions in different stages of production.

2.3 Annual turnover, capacity and employment numbers

Capral provided information relating to its annual turnover, employment numbers and production capacity. These documents are contained in **Confidential Attachment 2**.

2.4 Like goods (commercial, physical, functional, production)

The goods the subject of the application (the goods) are:

“Aluminium extrusions that:

- *are produced by an extrusion process;*
 - *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);*
 - *have finishes being:*
 - *as extruded (mill);*
 - *mechanically worked;*
 - *anodized; or*
 - *painted or otherwise coated, whether or not worked;*
 - *have a wall thickness or diameter greater than 0.5 mm;*
 - *have a maximum weight per metre of 27 kilograms; and*
- have a profile or cross-section fitting within a circle having a diameter of 421 mm”.*

In its application, Capral provided the following further details in relation to the goods:

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“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. 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”

Capral also provided further information in regard to the goods in its application³.

Like goods are defined under Section 269T(1) of the Act as:

Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

In assessing like goods, physical likeness, commercial likeness, functional likeness and production likeness are characteristics tested. It is noted that the ‘like goods’ assessment has previously been established in past investigations regarding aluminium extrusions.

Based on discussions and verification with Capral, at this stage, the verification team considers that:

- The primary physical characteristics of the imported goods and locally produced goods are similar;
- The goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- The goods and locally produced goods are functionally alike as they have a similar range of end-uses; and
- The goods and locally produced goods are manufactured in a similar manner.

2.5 Tariff classification

The goods are normally classified to the following tariff subheadings of Schedule 3 to the *Customs Tariff Act 1995*:

³ See record number 1 on the EPR.

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Tariff classification (Schedule 3 of the Customs Tariff Act 1995)			
<i>Tariff code</i>	<i>Statistical code</i>	<i>Unit</i>	<i>Description</i>
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 1 – Tariff classification

2.6 Preliminary assessment of like goods

The verification team's assessment is that:

- the aluminium extrusions produced by Capral are a like good of the imported goods;
- the like goods are wholly or partly manufactured in Australia by Capral;
- at least one substantial process of manufacture of aluminium extrusions is carried out in Australia; and
- there is an Australian industry which produces like goods in Australia.

3 THE AUSTRALIAN MARKET

3.1 Introduction

Capral advised that in Australia, aluminium extrusions have a large diversity of dimension types depending on the end use application. Capral advised that there are three broad categories of finish type: mill; painted and anodised finishes. Capral advised that the most common alloy type for architectural applications is 6060 (as well as 6063 in some cases), while industrial applications primarily use 6082, which has different alloy properties. Capral produces a range of other alloys as required and can produce those covered by the GUC based on customer demand. Capral stated that domestic manufacturers and imported products are required to meet Australian standards.

Capral submitted that the Australian market is supplied by itself (as one of several Australian manufacturers) and imports from a range of countries.

3.2 Market segments and distribution channels

Capral commented that there are many market segments and supply channels for aluminium extrusions in the Australian market.

Capral advised that within the Australian market there are three major aluminium extrusion market segments with the following estimated volume share:

- Residential dwelling, 45%;
- Industrial, 40%; and
- Non-residential building, such as shopfronts and offices, 15%.

Capral advised that it has two major supply channels, including:

- Distributors and wholesalers; and
- End users, including;
 - Large window and door fabricators, which undertake large projects;
 - Building systems customers, which undertake smaller projects in the building market or renovations; and
 - Industrial customers, which is a broad category of customers including manufacturing.

Capral identified that end user customers tend to be either manufacturers, which produce commoditised aluminium extrusions including for window and doors, or fabricators, which undertake project-specific production.

Both Capral's domestic sales of aluminium extrusion and imported aluminium are sold to the same market segments and through the same supply channels outlined above. Capral understands that most Australian manufacturers also import aluminium extrusions.

3.3 Categories of goods in the Australian market

Capral submitted that there are a number of different product characteristics of aluminium extrusions in the Australian market, including:

- Finish, such as milled, anodised and painted finishes;
- Alloy, such as 6060, 6063 and 6082; and
- Temper grade.

Capral advised that the key product characteristic for aluminium extrusion is finish type. Capral added that in the Australian market, there are two additional types of anodised product, being bright dip and bright dip polished aluminium extrusions, which have differing pricing to other standard anodised products.

Capral advised that, while aluminium extrusions shapes and characteristics are specific to the end use application or project, manufacturers can with relative ease produce most types, with the key discernible difference among products is price. Capral stated that it, and many other producers, have rights to aluminium extrusion systems in the form of intellectual property. Capral advised that the only barrier to its production of certain aluminium extrusions may be intellectual property owned by other companies. Some of Capral's customers also hold the intellectual property on certain dies, which Capral uses to manufacture goods.

Due to the highly price sensitive nature of the Australian market, and the interchangeability of aluminium extrusion sources, distributors, wholesalers and end users readily switch between domestically produced and imported aluminium extrusions based on pricing.

3.4 Substitutable products

Capral is aware of a limited number of cases where aluminium extrusions could be being substituted in favour of steel, PVC or wood. Capral also advised that in certain commercial instances the opposite was the case, such as the use of aluminium extrusions for truck and boat bodies. In terms of end use applications, Capral indicated that it is not aware of any major shifts away from or towards aluminium extrusions being used in the various market segments, including residential, commercial and industrial segments.

3.5 Demand

Capral advised that the market has grown since 2012, mostly due to the growth in the residential sector. However, Capral estimates a decline from 2016-17 and a continuation of this trend in the coming years. The main segments in the residential sector are detached housing, low rise multi-residence and high rise multi-residence, of which Capral primarily supplies the detached housing segment. Capral commented that most of the estimated decline related to the multi-residence segment, rather than the detached housing segment.

Capral believed that the industrial segment will experience a slight growth, while the manufacturing segment will remain steady.

Capral advised that having regard to the different market segments in total, it forecasts that the market will remain steady through to 2020.

3.6 Market size and share

In its application, Capral provided an estimate of the Australian aluminium extrusion market for the four years ending 30 June 2017.

Based on revised data provided for the period of investigation (October 2015 to September 2016), the verification team has estimated the market size based on:

- Capral’s verified data;
- Capral’s estimated sales volumes for other Australian producers; and
- The Commission’s analysis of import data obtained from the Department of Immigration and Border Protection (DIBP).

The verification team’s analysis of total volumes of aluminium extrusion sales in the Australian market, can be observed, below, in Figure 1.

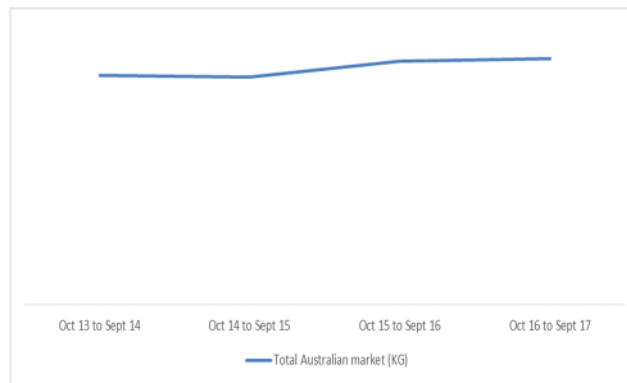


Figure 1 – Total Australian aluminium extrusion market in tonnes

It can be seen that the overall Australian aluminium extrusion market:

- was reasonably stable between the years ending September 2014 and September 2015;
- increased between the years ending September 2015 and September 2016; and
- marginally increased between the years ending September 2016 and September 2017.

The Commission is continuing to assess and validate the size of the market.

The verification team’s calculations are contained in **Confidential Attachment 2**.

4 SALES

4.1 General

As part of its application, Capral provided the Commission with its sales listing for the investigation period. At the industry visit the verification team sought to verify the company's sales information to its financial accounts and source documents for selected sales in order to establish that the information provided was complete, relevant and accurate. The sales listing is attached at **Confidential Appendix 1**.

4.2 Imports

Capral imports certain types of aluminium extrusions, including bright dip and bright dip polished extrusions. Capral advised that it has the capability of manufacturing these products (and would do so if orders were commercially viable), however, demand for these goods has been limited. Capral also advised that there was another domestic manufacturer that produces these products.

4.3 Sales to related customers

Capral made internal transfers of aluminium extrusions from its manufacturing division to its distribution division during the investigation period. The verification team considers that it is appropriate to disregard these internal transfers as they do not involve an arms length transactions that entail the legal transfer of property. These internal transfers are ultimately sold to external customers by the distribution division. In relation to external sales by the manufacturing and distribution divisions, Capral did not sell to related parties during the investigation period.

4.4 Ordering and delivery

The ordering process involves various forms of communication to place an order including via email, the phone and entry directly into Capral's SAP accounting system.

Invoices are raised on dispatch of the goods, with most delivery terms being free into store. Depending on the order, delivery fees are based on a price per kilogram, or a flat rate.

4.5 Pricing

Pricing arrangements between Capral and its customers vary due to many factors, including the market segment. Capral offers prices based on the monthly movement of the London Metal Exchange (LME) and Major Japanese Ports (MJP) premium, plus amounts for product characteristics, such as length, alloy and temper grade. Capral advised that its customers fall into three main price list categories:

- LME price list;
- Price list based on fixed amount per volume; or
- Less discount, being namely distribution customers.

Capral does not offer fixed or long-term contracts. Capral offers various rebates to customers.

4.6 Verification of sales data to audited financial reports

To assess sales data for completeness and relevance, verification to audited financial statements was undertaken. The verification team verified the domestic sales of aluminium extrusions, in relation to the sales listings for the manufacturing and distribution divisions, by tracing the total value and volume to the relevant sales reports in SAP.

A negligible discrepancy existed between the sales listings and the SAP sales reports. Capral advised this was most likely due to returns, and the quantities and values were immaterial. The verification team was satisfied with this explanation.

The verification team traced the sales value for the investigation period to audited financial reports by filtering out sales revenue from other products that did not relate to aluminium extrusions. The verification team was satisfied that the sales listings provided are complete and relevant. The verification team did not identify any issues in verifying sales data to audited financial reports.

Having regard to the above, the verification team considers that the sales listings represent reasonably complete and relevant accounts of Capral's sales of aluminium extrusions during the period from 1 October 2016 to 30 September 2017. For the complete verification procedures undertaken, see **Confidential Attachment 1**.

4.7 Verification of sales data to source documents

To assess the accuracy of the sales listings, verification to source documents was undertaken. Prior to the visit the Commission selected a sample of transactions from the sales listing for verification to source documents.

For the selected sales, Capral provided the following documents:

- Purchase orders;
- Order acknowledgements;
- Commercial invoices; and
- Proof of payment, including accounts receivable ledger and bank advice.

The information in the sales listings (customer name, invoice number, invoice date, quantity, gross invoice price and net invoice value) reconciled with the source documents provided. The verification team did not identify any issues in relation to the downwards reconciliation to source documents.

These source documents are attached at **Confidential Attachment 1**.

Having regard to the above, the verification team is satisfied that the sales listings are accurate.

5 COST TO MAKE AND SELL

5.1 Verification of manufacturing cost data to audited financial statements

The verification team verified the completeness and relevance of Capral's cost to make and sell (CTMS) for like goods (Appendix A6 to Capral's application which was amended to include the September 2017 quarter) by reconciling it to audited financial accounts in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

5.2 Verification of costs down to source documents

The verification team verified the accuracy of Capral's CTMS for like goods by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The verification team did not find any material discrepancies or issues.

5.3 Costs to make and sell – Conclusion

The verification team considers that Capral's CTMS data in Appendix A6 is a reasonably complete, relevant and accurate reflection of the CTMS for aluminium extrusions during the period 1 October 2013 to 30 September 2017 and is suitable for analysing the economic performance of its aluminium extrusions operations from 1 October 2013.

6 ECONOMIC CONDITION

6.1 Capral's injury claims

In its application, Capral submitted that the Australian industry has suffered material injury and that injury was caused by aluminium extrusions being exported to Australia at dumped prices from Thailand and from Jiangsheng Aluminium and Zhongya Aluminium in China.

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)."

As specified in the consideration report, Capral stated in its application that it had suffered the following types of injury:

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

In its application, Capral claimed that it had not been able to achieve prices in the market commensurate with its level of investment. Capral claims that whilst its performance improved following the imposition of provisional measures on Malaysia and Vietnam in October 2016 (REP 362) the allegedly dumped imports from Thailand and the two exporters from China has resulted in performance poorer than it would otherwise be.

The verification team sought to verify the evidence and data Capral relied upon in making these allegations. The verification team's analysis of this information is contained in this chapter and the following chapter (Causation).

The verification team notes that Capral is one of a number of manufacturers of aluminium extrusions in Australia (albeit on current estimates, the largest). As noted in the Consideration Report, data from other Australian aluminium extrusion producers will inform the Commission's consideration of the economic condition of the Australian industry as a whole.

6.2 Evaluation of other relevant economic factors

In addition to the above mentioned injury factors, the verification team also analysed other relevant economic factors based on data provided by Capral. These are:

- capital investment;
- wages expenditure and employment levels;
- assets;
- revenue;

- capacity and capacity utilisation;
- productivity;
- closing stock; and
- accounts receivable.

6.3 Approach to injury analysis

The Commission has used the verified Capral data in its analysis of the economic condition of the industry for the period 1 October 2013 to 30 September 2017. Data from the DIBP import database has also been used in this analysis.

All analysis in this section relates only to domestic sales of aluminium extrusions and is based on years ending September, unless noted otherwise.

In Capral's application, injury indices were presented on a financial year basis from 2013-14 to 2016-17. As noted in the Consideration Report, the investigation period was set for the 12 months ending September 2017 to enable the most recent data to be considered. The injury analysis period was set to commence on 1 October 2013 which is consistent with the Commission's convention of including the preceding three years to the investigation period as the injury analysis period.

The data and analysis relating to the assessment of the Australian industry's claims of injury are contained in **Confidential Appendix 2**.

In the Consideration Report it was noted that given the circumstances of the case, the Commission may where necessary conduct a 'but for' analysis to determine a counterfactual scenario of what would be the economic conditions of the Australian industry in terms of prices and profits absent the alleged importation of dumped goods. The consideration report noted that the Commission would further investigate whether Capral's claims in the application related to a) material injury or b) threat of material injury. This was discussed briefly at the visit, and Capral advised that it would make a submission on the issue of threat.

6.4 Capral's injury claims – Volume effects

6.4.1 Sales volumes

In its application, Capral did not claim loss of sales volume as an injury factor. Sales volumes were however analysed in the Consideration Report and again following the verification of data during the visit.

Figure 2 below illustrates Capral's sales volume of aluminium extrusions in the domestic market during the injury analysis period.

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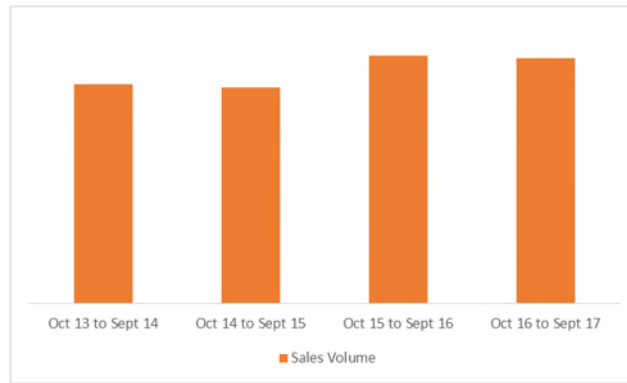


Figure 2 – Capral’s domestic sales volume of like goods in the injury analysis period

As shown in Figure 2, Capral’s sales volumes have:

- marginally declined between the years ending September 2014 and September 2015;
- increased between the years ending September 2015 and September 2016; and
- marginally declined between the years ending September 2016 and September 2017.

6.4.2 Market share

In its application, Capral did not claim loss of market share as an injury factor. The Consideration Report noted that based on initial figures, the Australian industry as a whole may have lost market share. This will be considered in the course of the investigation as data from other Australian industry participants becomes available.

Figure 3 below illustrates the movements in Capral’s market share for aluminium extrusions over the injury analysis period.

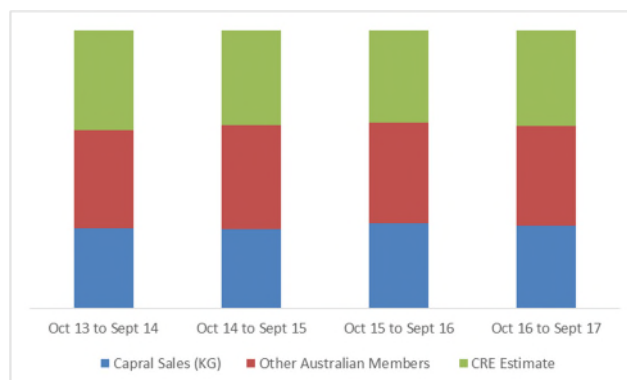


Figure 3 – Capral’s proportional market share

Figure 3 illustrates that Capral’s market share has remained relatively stable over the injury analysis period.

Given volume factors were not claimed by Capral, the verification team recommends that these factors be considered together with data from other Australian aluminium extrusion producers to inform the Commission’s consideration of the economic condition of the Australian industry as a whole.

6.5 Capral's injury claims – Price effects

In its application, Capral claimed that it had been injured through price suppression. For the purposes of analysis, the Commission completed both a price suppression and price depression analysis.

Capral's verified sales data used for this analysis excluded export sales and sales of aluminium extrusions imported by Capral.

6.5.1 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented.

In determining whether price suppression has occurred the Commission may examine:

- a comparison of prices with costs to assess whether over time (e.g. the injury analysis period) or within a specified period (e.g. the investigation period) – prices have not increased at the same rate as cost increases; and/or
- an assessment as to whether the prices for the Australian industry's product are lower than prices that may have been achieved in the absence of dumping.

Figure 4 below illustrates movements in Capral's domestic weighted average unit costs and prices for aluminium extrusions during the injury analysis period.

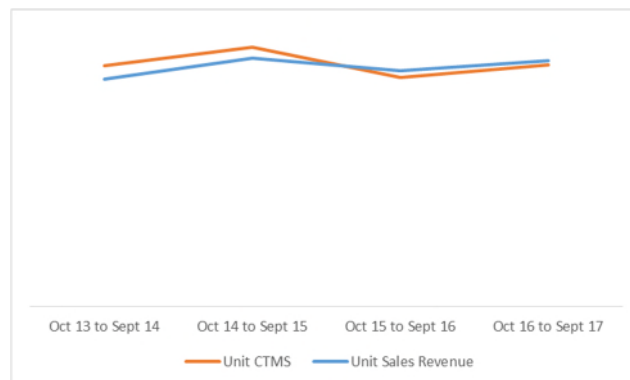


Figure 4 – Capral's unit CTMS versus unit domestic sale prices of like goods

Capral claims to have experienced a slight increase in selling prices in the year ending September 2017, but claims that its selling prices have not recovered to the levels of 2014-15. This is borne out by the data which shows a fluctuation in pricing over the four year period. There has been an increase in the investigation period but not to the levels achieved in the year ending September 2015.

Unit CTMS and sales revenue have been relatively aligned, with Capral's unit sales revenue breaking above its unit CTMS in the last two years.

Capral claimed in its application that its costs have been relatively stable over the injury analysis period. The main driver of its CTMS is the cost of aluminium log which is priced at the LME price plus the cost of converting aluminium into logs (billet premium).

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Capral outlined during the verification that its prices are generally set based on a spread it is able to achieve above LME. Figure 5 below compares Capral's unit CTMS and sales revenue with the LME and MJP and the spread it has been able to achieve.

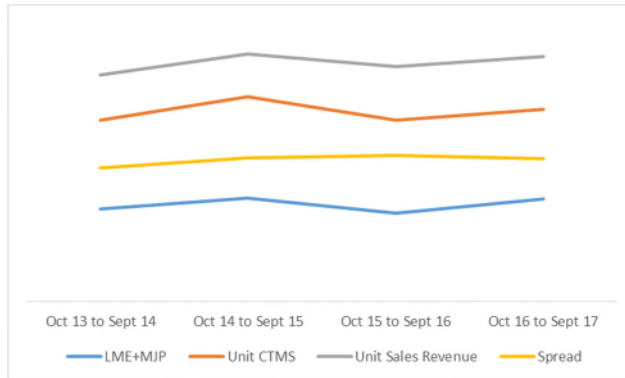


Figure 5 – Capral's spread comparisons

As shown in Figure 5 above, Capral's costs and pricing generally follows LME and MJP and there has been a decline in its spread in the investigation period.

6.5.2 Price depression

As indicated in Figures 4 and 5 above, Capral's unit pricing has fluctuated over the injury analysis period, with its pricing increasing in the investigation period.

6.6 Profit and profitability effects

In its application, Capral claimed that it was suffering injury in the form of suppressed profit and profitability. Figure 6 below shows Capral's profit and profitability for aluminium extrusions over the injury analysis period.

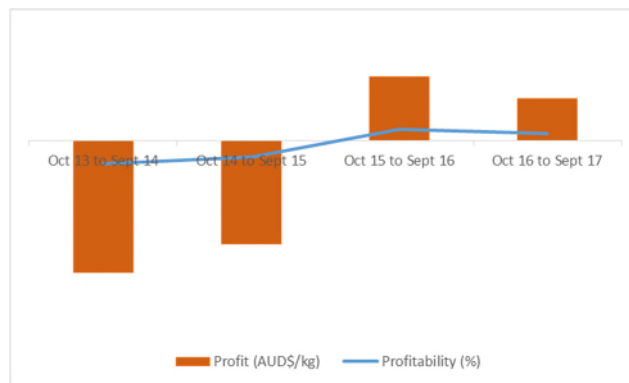


Figure 6 – Capral's unit profitability of like goods

As illustrated in Figure 6, Capral has moved into profitability in the final two years of the injury analysis period with a decline in performance in the investigation period.

The analysis of Capral's price injury, unit profits and profitability is contained in **Confidential Appendix 3**.

6.7 Other injury factors claimed

In its application Capral claimed injury in relation to suppressed return on investment. Prior to the verification, Capral provided a revised Appendix A7 to the application covering the injury analysis period. The revised Appendix A7 is attached at **Confidential Appendix 4**.

The verification team revised some of the A7 data to ensure that it was consistent with more contemporary data verified during the visit.

6.7.1 Return on investment

Capral stated in its application that it had suffered a suppressed return on investment. Figure 7 below shows there has been an improvement over the last two years with a slight decline in performance in the investigation period.

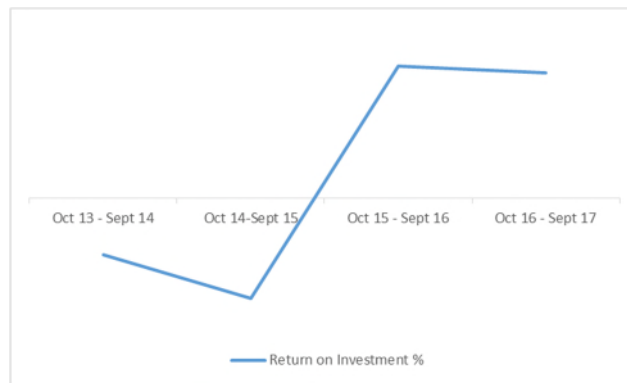


Figure 7 – Capral's return on investment

6.8 Other relevant economic factors

The revised Appendix A7 provided information on assets, capital investment, revenue, capacity, capacity utilisation, employment, wages, closing stocks, accounts receivable and productivity.

Movements in the revised Appendix A7 data provided by Capral, excluding those discussed previously, are detailed below.

6.8.1 Assets

Assets have been steadily declining over the injury analysis period as shown in Figure 8 below.

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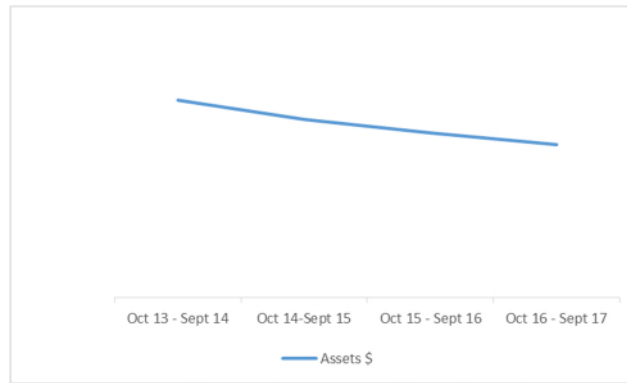


Figure 8 – Capral's assets

6.8.2 Capital investment

After increasing to year ending September 2015, capital expenditure has slowly declined in the last two years as shown in Figure 9 below. Capral claims that because of its poor performance it has not been able to invest in capital expenditure as it would like either to increase efficiency or to expand.

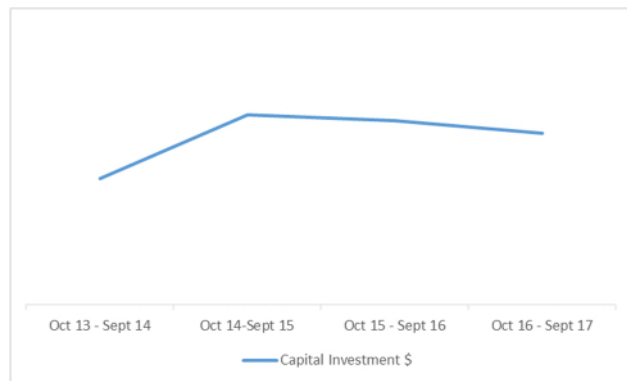


Figure 9 – Capral's capital investment

6.8.3 Revenue

As shown in Figure 10 below, revenue has continued to increase over the injury analysis period, increasing at a slower rate in the investigation period.

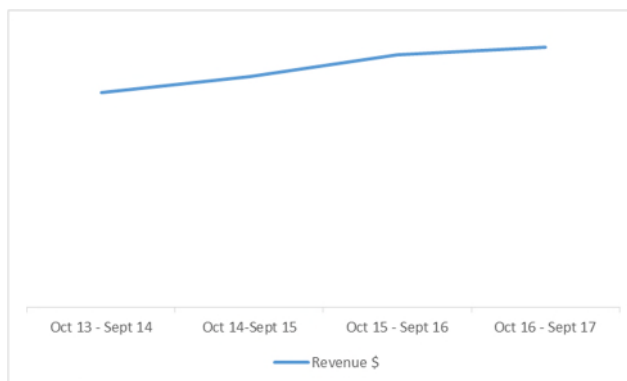


Figure 10 – Capral's revenue

6.8.4 Capacity utilisation

Capral's capacity has remained constant over the injury analysis period.

As shown in figure 11, Capral's capacity utilisation has fluctuated over the injury analysis period with a slight decline in the investigation period.

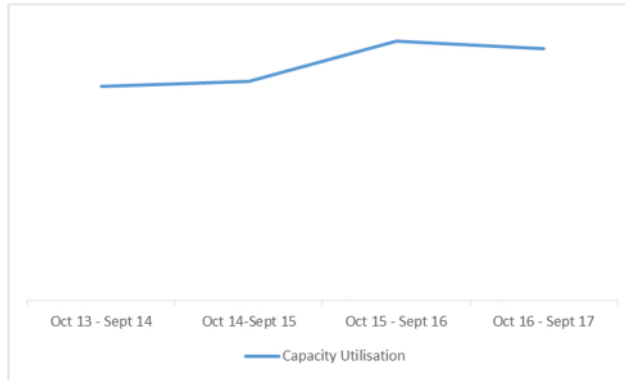


Figure 11 – Capral's capacity utilisation

6.8.5 Employment

As shown in Figure 12 below, employee numbers have continued to increase over the injury analysis period.

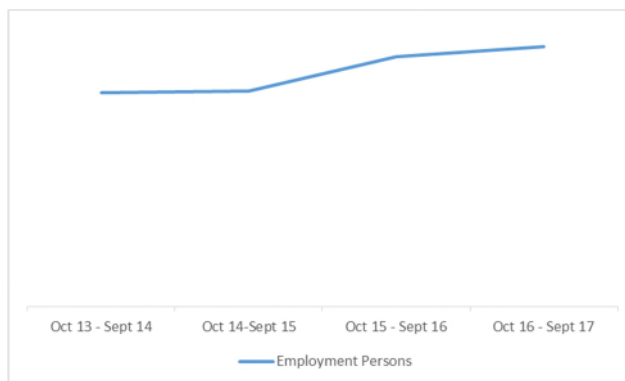


Figure 12 – Capral's employee numbers

6.8.6 Wages

As shown in Figure 13 below, wages have continued to increase over the injury analysis period.

PUBLIC RECORD



Figure 13 – Capral’s wages

6.8.7 Closing stocks

As shown in Figure 14 below, closing stock levels have been relatively steady over the injury analysis period fluctuating slightly, with a decline in the investigation period.

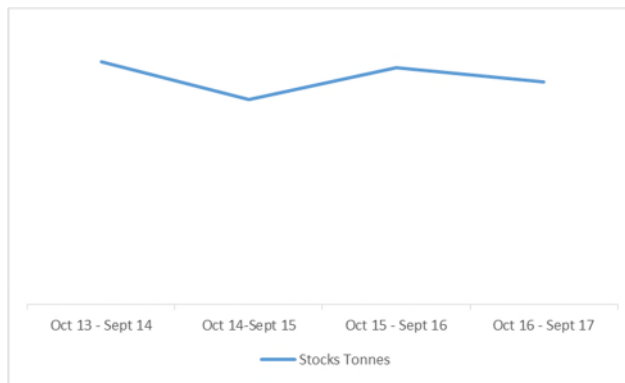


Figure 14 – Capral’s closing stocks of like goods

6.8.8 Accounts receivable

As shown in Figure 15 below, the level of accounts receivable has been steadily increasing over the injury analysis period.

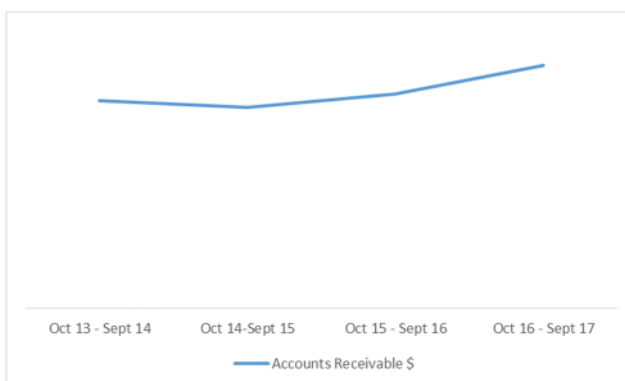


Figure 15 – Capral’s accounts receivable

6.8.9 Productivity

As shown in Figure 16 below, productivity has remained relatively steady over the injury analysis period with a slight decline in the investigation period.

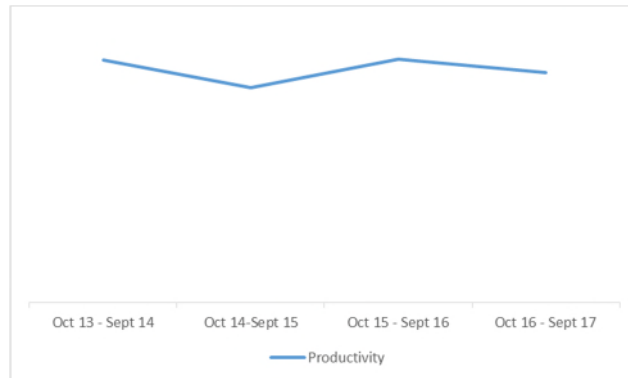


Figure 16 – Capral’s productivity

6.9 Conclusion on injury

The verification team verified the claims made in Capral’s application and is satisfied that on analysis of information contained in the application and obtained during the verification visit, Capral has experienced the claimed injury in the form of:

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

In addition to the above, the below conclusions, as they relate to the other economic factors verified by the Commission, were also observed:

- decline in the value of assets;
- decline in capital investment;
- increases in revenue;
- stable capacity and a decline in capacity utilisation in the investigation period;
- increased employment levels and wages;
- declining levels of closing stocks in the investigation period;
- increasing accounts receivable; and
- declining levels of productivity in the investigation period.

Given these other factors were not claimed by Capral, the verification team recommends that these factors be considered together with data from other Australian aluminium extrusion producers to inform the Commission’s consideration of the economic condition of the Australian industry as a whole.

7 CAUSAL LINK

The verification team discussed with Capral whether the alleged dumping of aluminium extrusions could be demonstrated to be causing material injury to the Australian industry.

7.1 Background

Capral has submitted that its pricing in the market is lower than it should be. It claims that it has not been able to increase its spreads following the imposition of provisional measures in Investigation 362 given the allegedly dumped goods from Thailand and the two exporters from China, Jiangsheng Aluminium and Zhongya Aluminium, which are the subject of this investigation. Capral claims that there has been volume displacement in favour of these sources.

The verification team has provided verification and analysis of these assertions in sections 7.2 and 7.3 below.

7.2 Price effects

Capral claims that one exporter is the price setter in the market for large customers (supplies distributors and major customer group) and that another exporter, through an importer, is the price setter in the distribution market.

When presented with competitors' prices, Capral claims that it makes a commercial decision whether to match prices or not. Specific price discussions on specific orders appear more prevalent with Capral's smaller rather than larger customers, whose sales are made using price lists negotiated in advance with each customer. See discussion in Chapter 4.

In determining how to react to alternative pricing offers put to them from imported and other Australian-produced goods, Capral advised that they examine their variable costs, the value proposition and their desire to maintain sales volume.

In its application, Capral provided eight 'examples of price undercutting'. During the verification, Capral also provided further information on these examples and additional examples.

The examples are where Capral believes it either has lost contracts from a range of customers or has had to reduce prices to compete. It is not definitive as to whom orders have been lost and the ultimate source of goods, and many of the examples are based on internal intelligence records. In some examples Capral 'walked away' when presented with a lower quote, in others it lowered its prices. Of the eight examples provided in the application, only two involve documentation beyond the previously mentioned internal intelligence records and only three involve some certainty as to whom the orders were lost.

It appears that Capral did lose out on specific contracts on the basis of their price being above those offered by competitors whose product was sourced from Thailand and Jiangsheng Aluminium and Zhongya Aluminium, but there were also instances of Capral losing sales when its price was lowest or where it lost sales but there were higher quotes

for product sourced from the relevant exporters. There was also evidence from Capral that another Australian industry producer is pricing at a level lower than product sourced from the relevant exporters.

During the verification, Capral also provided further information on its price-setting practices generally, including price lists and spread differentials with customers that source product from Capral and from imports from Thailand and Jiangsheng Aluminium and Zhongya Aluminium compared with those that do not source or source only limited supply from these sources.

Analysis of data provided by Capral indicates that on a weighted average basis, Capral achieves a lower spread with customers for whom it competes with products from Thailand and Jiangsheng Aluminium and Zhongya Aluminium compared with those for whom it does not.

Capral advised that customers generally prefer to have more than one supply option for a given product and that price, rather than country of manufacture, is the more relevant factor. Capral has also claimed that some former customers are no longer seeking quotes from them.

Pointing to the global industry, Capral claims that it should be able to price to achieve an earnings before interest, taxes, depreciation and amortization (EBITDA) of a certain rate range, noting that firms in the European Union and the United States achieve better earnings. Capral claims that at present they are achieving returns below this range.

7.3 Volume effects

Noting that Capral has not claimed injury in the form of reduced volumes, the verification team notes that Capral's volumes have declined in the investigation period, and some of the 'price undercutting' examples referred to above include claims of lost sales to goods supplied by Zhongya Aluminium, Jiangsheng Aluminium and Thai exporters.

7.4 Other possible causes of injury

A range of other possible causes of injury were discussed with the applicant.

Capral commented that the allegedly dumped products are of a comparable quality to the goods it produces, and that absent manufacturer-identifying pips, it would be difficult to tell the goods apart.

7.4.1 Supply and/or quality issues

Capral advises that they have no supply or quality issues with their product with a consistent level of returns year-on-year.

7.4.2 Cessation of the local motor vehicle manufacturing industry

Capral advises that it has not been impacted by the cessation of local automotive manufacturing as it did not participate in that market. The verification completed a review of Capral's customer base and did not identify any significant sales to Australian car

manufacturers (Ford, Holden, or Toyota) or Original Equipment Manufacturer (OEM) component suppliers to these manufacturers.

The verification team noted that Capral did supply various manufacturers of other vehicle types to those manufactured by Ford, Holden, or Toyota.

7.4.3 Energy costs

Capral advises that its energy costs have not significantly increased and its supply has been stable given their contractual arrangements during the period of the investigation for energy supply.

Capral provided information on its current and future contractual arrangements for energy.

7.4.4 Raw material costs

Capral advised that its costs to its large customers are based on price lists which use the LME price plus a conversion factor as a basis for pricing all of its aluminium extrusion products.

It is noted that this pricing practice is largely consistent between Australian industry, exporters and importers.

Figure 5 at 6.5.1 shows that the movement in Capral's CTMS compared to LME and MJP.

7.4.5 Minimum order requirements

The verification team queried whether Capral had any minimum order requirements.

Capral advised that they do have minimum order requirements for sales direct from the mill, but there is a not minimum order for purchases through its distribution channel.

7.4.6 Market trends

As specified in section 3.6, the Australian market for aluminium extrusions marginally increased during the investigation period. Capral also advised that it had not identified any changes in demand resulting from developments in technology.

7.4.7 Capral's imports of aluminium extrusions

During the period of investigation Capral imported a small amount of aluminium extrusions. The verification team considers that the exports were not materially significant. Whilst these imports were not significant in relation to its overall sales volume, the verification team recommends that these exports be excluded from any undercutting analysis conducted by the case team.

Capral provided information to the verification team to identify sales of imported extrusions relevant to this investigation pertinent to any undercutting analysis undertaken.

8 UNSUPPRESSED SELLING PRICE

Capral confirmed that it intended to make a submission separately on issues relating to the unsuppressed selling price (USP), non-injurious price (NIP) and the lesser duty rule.

9 OTHER MATTERS

9.1 Particular market situation claims

During the verification visit, the verification team discussed Capral's claims of a particular market situation in China regarding aluminium during the investigation period.

Capral maintained that the market situation that was identified in Review 392 continued to exist.

At the time of this report, the Commission has not established a preliminary view on Capral's market situation claims. The Commission will continue to investigate these claims.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification program
Confidential Appendix 1	Sales listing
Confidential Appendix 2	Analysis of market size & volume injury
Confidential Appendix 3	Analysis of price injury
Confidential Appendix 4	Updated A7
Confidential Appendix 5	Price effects & volume effects