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## Public File Version

Dear Mr Crooks

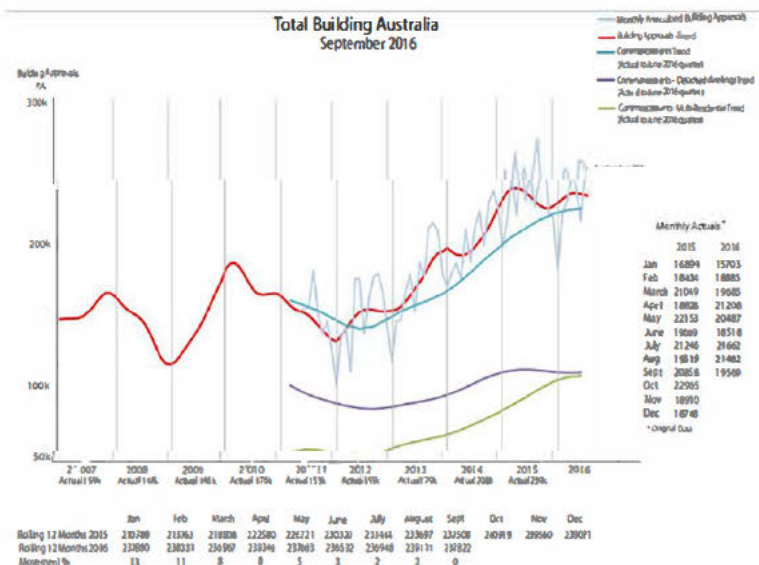
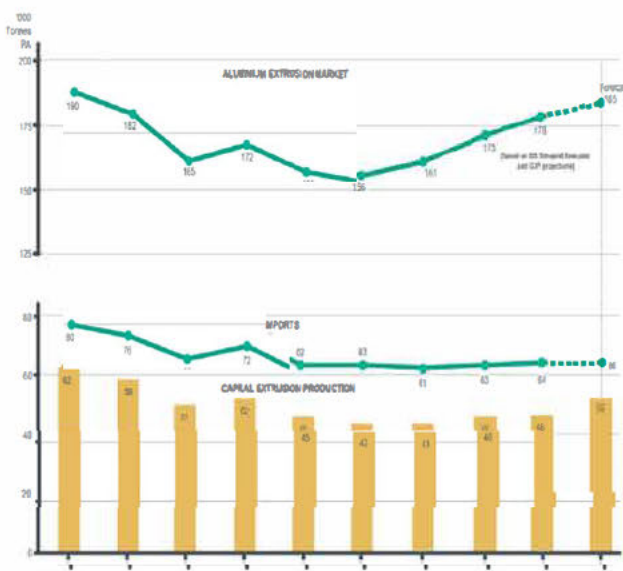
### Aluminium Extrusions exported from Malaysia and Vietnam (Investigation No. 362) – Material injury to Capral Limited

#### I. Introduction

The Anti-Dumping Commission ("the Commission") has recently conducted an industry verification visit with Capral Limited ("Capral") to validate financial data and causation detailed in Capral's application for anti-dumping and countervailing measures on aluminium extrusions exported from Malaysia and Vietnam.

Capral seeks to provide the Commission with additional supporting evidence that the dumped and subsidized exports have resulted in injury that is considered material during the 2015/16 investigation period. Specifically, Capral seeks to demonstrate that it has experienced injury in the form of select lost sales volumes and reduced prices as a direct consequence of competitive offers of aluminium extrusions exported from Malaysia and/or Vietnam.

Capral acknowledges that its sales volumes have increased over the investigation period. This increase can be attributed to an expanding Australian market, with a significant increase in the new housing sector that has grown demand for aluminium extrusions within Australia. Evidence supporting this is readily available however Capral provides the below graph showing the increases in dwelling approvals and Capral's estimates of the Australian Extrusion Market (Sources BIS Shrapnel and ABS).



The above BIS Shrapnel and ABS analyses confirm that the Australian market for aluminium extrusions has experienced growth since bottoming in 2012. Sales volumes in 2015 and 2016 are growing as the Australian market for aluminium extrusions benefits from a surge in new housing approvals [REDACTED]

Despite the growth in demand for aluminium extrusions, Capral has experienced a deterioration in its profit during the investigation period due to dumped and subsidized exports from Vietnamese and Malaysian extruders at prices that have undercut Capral's selling prices causing price/margin compression. This has resulted in Capral experiencing a reduction in profit and profitability in the 2015/16 investigation period as it reduced selling prices to compete with the dumped and subsidized exports. It was Capral's expectation that the increased volumes would deliver improved profits and profitability as housing starts across Australia increased.

To gain significant and rapid market share growth, exports from Malaysia and Vietnam have been priced to undercut the Australian industry, forcing the industry to respond to hold volumes (where possible) and reduce local market prices. The exports of like product have been priced to undercut the Australian industry producers (supported by dumping and countervailing activities) in order to gain market share.

The rapid increase in Vietnamese and Malaysian extrusion volume during 2015/16 has replaced the volumes that have previously been sourced from China and the Australian Industry. [REDACTED]

## II. Injury at major customers

Capral has analyzed its customer base and identified [REDACTED] key customers where it has suffered price and/or volume injury during the investigation period that can be attributed to the injurious exports from Malaysia and Vietnam. The selling prices and/or volumes have been materially impacted at each customer, with incremental injury occurring in the period immediately following the investigation period.

Importers of the dumped and subsidized aluminium extrusions from Malaysia and Vietnam have targeted Capral's [REDACTED] customers (including [REDACTED] identified accounts) that purchase direct from Capral's manufacturing operations, as well as targeting sales to customers by Capral's distribution division which are high in number but smaller in volume and difficult to specifically identify.

### *(a) Price impact on Direct sales*

In 2015/16, Capral sold [REDACTED] tonnes direct to major customers (this is a group of [REDACTED] customers who are serviced on a Mill direct basis). Of this volume, approximately [REDACTED] per cent of the sales (across [REDACTED] customers) demonstrate an erosion of the margin (as represented by 'mill spread') from earlier periods. The reductions in the mill spread for the 2015/16 year versus the previous year are reflected in Confidential Attachment 1.

Confidential Attachment 1 highlights the reduction in the mill spread for direct sales to high-volume, key customers in 2015/16. [REDACTED] had been sourcing from China and altered its supply chain as a result of the anti-dumping and countervailing measures and circumvention measures applied on Chinese exporters. [REDACTED] has recently switched to [REDACTED] Malaysia. Capral has reduced its margin to hold sales at [REDACTED]. [REDACTED] is dual sourcing and has received supply from [REDACTED]. Capral has reduced its selling price to maintain volumes here also.

[REDACTED] is a high volume customer for Capral and has also sourced from [REDACTED]. Capral's mill spread at this customer – whilst remaining stable across the whole investigation period – actually shows a deterioration in the second half of the investigation period of almost [REDACTED].

The declining mill spread at each of these key accounts that represent more than [REDACTED] of Capral's direct sales from the manufacturing business demonstrates a significant impact from the influence of the injurious export prices from Malaysia and Vietnam.

(b) *Volumes*

At each of [REDACTED], Capral has increased sales volumes in 2015/16. In 2015/16 total volumes at these customers was [REDACTED]. The increase in sales volumes has only been achieved by Capral reducing its margin to match the dumped and subsidized export prices from Malaysia and Vietnam. Had Capral not reduced its selling price, the customers would have switched volumes to the more favourably priced exports from Malaysia and/or Vietnam.

It is understood that [REDACTED] has bought volumes from Vietnam and [REDACTED] purchase Vietnamese metal from a local distributor [REDACTED]. It is also understood that [REDACTED] and [REDACTED] have sourced extrusion from Malaysia.

Additionally, Capral notes that sales volumes to [REDACTED] Limited have fallen in 2016 year to date [REDACTED] on monthly average compared to 2015. It is further understood that [REDACTED] has purchased aluminium extrusions from [REDACTED] of Malaysia.

III. Injury at Capral Distribution Division customers

Capral has experienced further injury in the form of price undercutting to customers serviced from within its Distribution Division. Some examples of price-effect injury at customers are detailed below.

In total, Capral supplied approximately [REDACTED] to Distribution customers through either distribution centres or on a Mill direct basis. Capral Distribution has more than [REDACTED] customers that are typically low-volume customers (when contrasted with the volumes direct from mill). It is therefore difficult to establish trends in pricing and volume across such a large customer base, with essentially small annual offtake.

Capral has, however, identified the following distributor examples that have been adversely affected by dumped and subsidized exports from Malaysia and Vietnam.

(a) [REDACTED] (supplied primarily [REDACTED])

As outlined in Capral's application [REDACTED] is a customer that is supplied from both mill direct and ex – stock in [REDACTED].

This customer has been subject to offers from Star Aluminum (formerly Success Aluminium) for product that it is understood to be sourced from Vietnam (EAA). The low-priced import offers have resulted in Capral experiencing pressure resulting in reduced sell price in the second half of the investigation period. Capral has also experienced a reduction in volume for the second half of the investigation period suggesting some lost volume to an import offer. Please refer to table below.

	15/16	H1	H2
Volume / Tns	[REDACTED]	[REDACTED]	[REDACTED]
GM%	[REDACTED]	[REDACTED]	[REDACTED]
Average Sell Price	[REDACTED]	[REDACTED]	[REDACTED]

Additionally in an attempt to secure volumes at this customer Capral has had to further reduce price to this customer netting an average sell price in July-Sept 2016 of [REDACTED].

(b) [REDACTED] (supplied through [REDACTED])

As previously outlined [REDACTED] a customer Capral supplies in most capital cities. Capral has been competing with Star Aluminium in the last 12-18 months to maintain and secure volume. Capral has been unable to secure the [REDACTED] sales volumes at this customer due their purchasing from [REDACTED] at prices Capral is unable to match.

Despite growing volume as a result of Success Aluminium's liquidation, Capral has experienced price and gross margin deterioration as displayed in the below table.



	13/14	14/15	15/16
Volume / Tns			
GM%			

(c) ██████████ (supplied through ██████████)

Capral detailed in its application that ██████████ is a 200-300 tonne per annum account where Capral has struggled to secure a significant share of business due to the customer sourcing from imports (ex Malaysia). Capral understands Press Metal supplies this account at rates below Capral's selling price. This has resulted in injury to Capral in the form of volume and price.

The below table shows that Capral's volumes have deteriorated over the last 3 years

	13/14	14/15	15/16
Volume / Tns			
GM%			

(d) ██████████ (supplied through ██████████)

This example was provided during the Capral verification visit. In summary, Star Aluminium (Vietnamese sourced metal from EAA) provided ██████████ with an offer in late August at ██████████, when the Capral sell price for mill finish was ██████████.

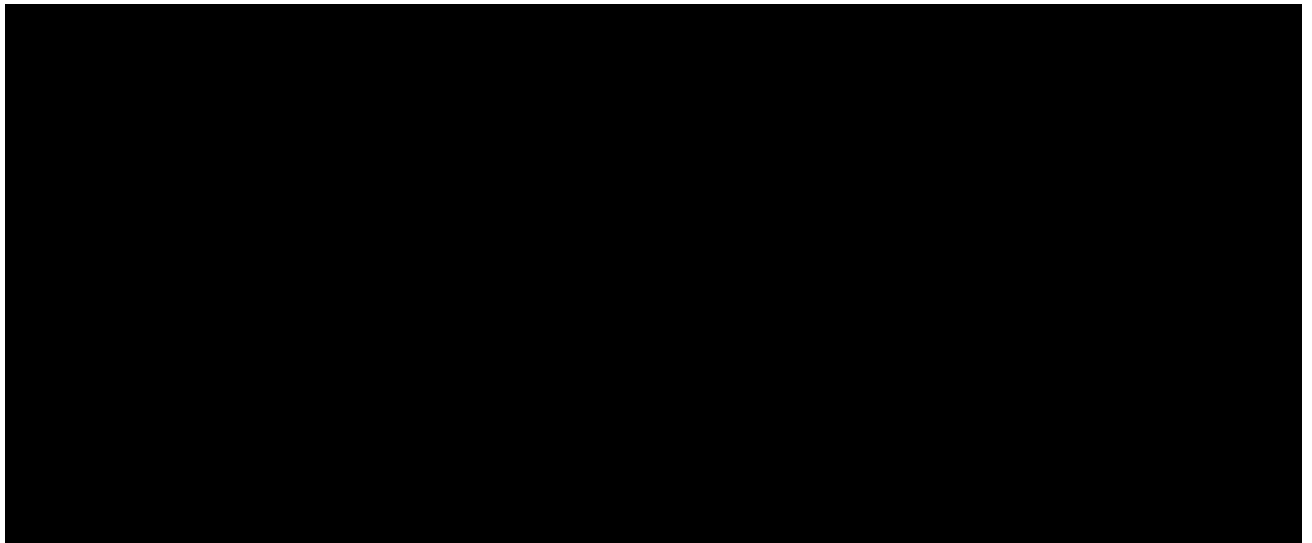
Capral has had to lower its pricing offer substantially to remain the incumbent supplier. The table below shows the impact that was experienced on volume (almost no sales in ██████████), selling price and margin since the offer of late August.

	14/15	15/16	July-Aug 16	Oct-16
Volume / Tns				
GM%				
Average Sell Price per Kg				

Capral's sales through its distribution business comprise of ██████████ from Distribution centres to customers and a further ██████████ to customers during the investigation period 2015/16. Capral's distribution business services ██████████ customers either from a distribution centre or mill direct.

Capral estimates based on its current market share estimates, that the volume of business impacted directly by the dumped and subsidized exports from Malaysia and Vietnam that is sold through the Capral distribution is estimated at ██████████, or ██████████ of Capral's total sales volumes from distribution and mill sales. Additionally it has had a significant impact on the price that can be achieved in the market on a greater volume, as outlined in the above examples

Dumped and subsidized aluminium extrusions from Malaysia and Vietnam adversely impact Capral Distribution's volumes. The table below shows that sales volumes to ██████████ customers has not tracked inline with Dwelling commencements (source – BIS Shrapnel) and in Capral's view this demonstrates volume lost, that has been a direct result of the emergence of dumped and subsidized Vietnamese and Malaysian sourced aluminium extrusion.



IV. Ministerial Direction on Material injury

Capral notes the Ministerial Direction published on 1 June 2012 providing guidance to the Commission that includes the following consideration:

*"I note that anti-dumping and countervailing action is possible in cases where an industry has been expanding its market rapidly, and dumping or subsidization has merely slowed the rate of the industry's growth, without causing it to contract. In cases where it is asserted that an Australian industry would have been more prosperous if not for the presence of dumped or subsidised imports, I direct that you be mindful that a decline in an industry's rate of growth may be just as relevant as the movement of an industry from growth to decline. I direct that it is possible to find material injury where an industry suffers a loss of market share in a growing market without a decline in profits. As in all cases, a loss of market share cannot alone be decisive. I direct that a loss of market share should be considered with a range of relevant injury indicators before material injury may be established."*

Capral has experienced injury in a rapidly expanding market that is material. At a time when demand has increased with an increase in new housing starts, Capral's profit on aluminium extrusions manufacturing sales, has declined on increased volumes. The dumping and subsidization has retarded Capral's ability to capitalize on a surge in market demand that would, in the absence of dumping and subsidization, have led to increases in profits and profitability that had commenced in the 2014/15 year.

V. Conclusions

Capral has identified injury experienced from dumped exports of aluminium extrusions sourced from Malaysia and Vietnam in the form of lost sales volumes and reduced selling prices. This injury has occurred in both of Capral's mill direct sales and sales through its distribution business.

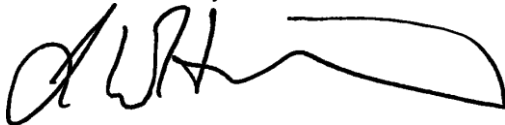
The impact of the dumping on Capral's profit and profitability is material. In 2015/16, Capral has experienced a decline in its profit to negative returns for the goods the subject of the investigation. Capral's negative return in 2015/16 for the goods under investigation is [REDACTED] and is considered to have been in a loss situation due to the impact of exports at dumped and subsidized prices.

During the investigation period (2015/16) Capral Limited announced improved profitability for its **total** businesses (which include a broader coverage of goods including aluminium hardware and sheeting activities) driven by increased volumes as a result of record housing starts in Australia.

Despite the market being at peak levels during the investigation year Capral's pre-tax profit of [REDACTED] represented a return of investment of only [REDACTED] on total capital employed before impairment and tax, for the whole of Capral's operations (including aluminium extrusions, aluminium hardware stainless steel sales, sheet sales, etc.) Capral has indicated that the aluminium extrusions business – despite increased demand and higher sales volumes in 2015/16 – has experienced a deterioration in profit and profitability from 2014/15 that would not have occurred except for the influence of the dumped and subsidized exports that undercut Capral in the investigation period. It is Capral's view that its returns in an expanding market for aluminium extrusions should have been significantly greater in the absence of dumping and subsidization on competing exports from Malaysia and Vietnam.

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

A handwritten signature in black ink, appearing to read 'LHAWKINS', followed by a long horizontal flourish.

Luke Hawkins  
General Manager – Supply and Industrial Solutions