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The Director
Anti-Dumping Commission
Investigations 3
Industry House
10 Binara Street
Canberra
Australian Capital Territory 2600

By email

Dear Director

Darley Aluminium – alleged dumping of aluminium extrusions Supplementary submission on price undercutting allegations

As you know, we represent Darley Aluminium Trading Pty Ltd (“Darley”) in this investigation.

Darley has commented extensively on the material injury allegations made by the applicant, Capral Limited (“Capral”).¹ This submission comments specifically on pricing in the aluminium extrusions market and the allegations of price undercutting made by Capral.

A Capral’s price undercutting examples

Darley understands that Capral provided eight “examples” in support of its claim that the exporters subject to this investigation were undercutting the prices of the Australian industry and consequently causing material injury. The verification report for Capral (“Capral Verification Report”)² made the following comments concerning these 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.*³ (underlining supplied)

¹ See Public Record Docs 024 and 034.

² See Public Record Doc 045.

³ Ibid at page 25.

Darley makes the following observations regarding the above findings:

- The examples provided by Capral show a dynamic market, where Capral's prices are not always undercut by the goods under consideration, and where the lower prices are not always the determinative factor for winning sales.
- Six out of eight examples rely solely on Capral's "internal intelligence", rather than objective and verifiable information.
- The majority of the eight examples do not show who the orders were lost to.

Accordingly, Darley considers that an objective assessment of the examples should at least find that the examples provided by Capral do not conclusively substantiate its claims that its prices were undercut by the goods under consideration, particularly by goods exported from Zhongya, during the period of investigation, or that it has suffered material injury from any such "price undercutting".

In this regard, Darley respectfully reminds the Commission of its comments in its previous submissions to the effect that Capral also faced fierce competition from other members of the Australian industry, including from one such participant identified by the Commission as pricing at a lower level to the exporters subject to this investigation:⁴

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

As Darley has previously submitted, Capral also faced competition from other imports, which accounted for approximately 22% of total market share, or 66% of total imports, being imports which are not subject to this investigation.⁵

We also note the following comments in the Capral Verification Report:

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.⁶

With respect to the end user market, which is discussed further below, Darley submits that observations regarding average spread between different customer groups are separate to the "price undercutting" allegation by Capral and do not necessarily inform or support that allegation. It is unclear as to whether these "customer groups" are logically and reasonably classified and whether the soundness of such "customer groups" based analysis is affected by product mix or distribution channels. Further, the submission that customers prefer to have more than one supply option regardless of the country of manufacture indeed reinforces Darley's comments concerning the significance of price undercutting behaviour between Australian industry members. Capral's statement that "some former customers are no longer seeking quotes from them", when viewed in the context of the fierce competition amongst Australian industry members, as well as competition from imported goods not subject to this investigation, also appears to be irrelevant to the issue of alleged price undercutting by exports from Zhongya and the other goods under consideration.

⁴ Ibid.

⁵ See Public Record Doc 024 at page 8.

⁶ See Public Record Doc 045 at page 26.

B Pricing in the end users market

Darley would now like to provide further examples to better inform the Commission in undertaking its determination of Capral’s injury causation allegation.

As identified in the Capral Verification Report, there are two major supply channels in the aluminium extrusions market, being “distributors and wholesalers” and “end users”.⁷ It is Darley’s understanding that Capral’s pricing method is based on a variable LME component and a fixed “spread” component:⁸

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 outlined during the verification that its prices are generally set based on a spread it is able to achieve above LME.

Capral’s prices therefore are mostly driven by the underlying LME price. For the Commission’s consideration, Darley provides the following information based on its market intelligence of price offers in [CONFIDENTIAL TEXT DELETED – month] 2017.

Supplier	Type of supplier	Price	Attachment
Capral	Australian industry	[CONFIDENTIAL TEXT DELETED – price]	Attachment 1 [CONFIDENTIAL ATTACHMENT]
[CONFIDENTIAL TEXT DELETED – company name]	Australian industry	[CONFIDENTIAL TEXT DELETED – price]	Attachment 2 [CONFIDENTIAL ATTACHMENT]
[CONFIDENTIAL TEXT DELETED – company name]	Exporter (not subject to investigation)	[CONFIDENTIAL TEXT DELETED – price]	Attachment 3 [CONFIDENTIAL ATTACHMENT]
Darley	Importer ([CONFIDENTIAL TEXT DELETED – comment on price]) ⁹	[CONFIDENTIAL TEXT DELETED – price]	Attachment 4 [CONFIDENTIAL ATTACHMENT]

⁷ Ibid at page 9.

⁸ Ibid.

⁹ The average import price from Zhongya was [CONFIDENTIAL TEXT DELETED – price] per kg ([CONFIDENTIAL TEXT DELETED – comment on price]) (Attachment 5). [CONFIDENTIAL ATTACHMENT]

As shown above, Capral’s price was undercut by at least one of the Australian industry members, was comparable to the offers from [CONFIDENTIAL TEXT DELETED – exporter not subject to investigation], and was [CONFIDENTIAL TEXT DELETED – comment on pricing difference] than Darley’s prices.

C Pricing in the distribution market

As previously submitted,¹⁰ in Darley’s view the distribution market is less price dependent than the end user market. This market is driven by customer service and design. Prices are typically charged on a per unit basis, rather than per kg as is the case in the end user market.

Darley takes note that Capral continues to claim, somewhat ambiguously, that Darley is the “price setter” in the market:¹¹

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.

Darley has consistently stated that it is not the price leader in the market and that it is not the source of the Australian industry’s alleged injury. The fact that Capral still appears to be unable to provide convincing evidence to establish its allegations against Darley further undermines the claim.

Additionally, Darley would like to provide its own examples to demonstrate that Darley is not the price “setter” in the market in terms of representing the lowest/lower price point in the market:

1 Price offers to customer [CONFIDENTIAL TEXT DELETED – customer name] (Attachment 6) [CONFIDENTIAL ATTACHMENT]

Company	Security door frame	Fly screen frame
[CONFIDENTIAL TEXT DELETED – company name] ¹²	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]
Darley	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]

2 Price offers to customer [CONFIDENTIAL TEXT DELETED – customer name] (Attachment 7) [CONFIDENTIAL ATTACHMENT]

Company	Security door frame	Fly screen frame
[CONFIDENTIAL TEXT DELETED – company name]	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]
Darley	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]

¹⁰ See Public Record Doc 024 at page 10.

¹¹ See Public Record Doc 045 at page 25.

¹² Darley understands [CONFIDENTIAL TEXT DELETED – company name] to be an importer distributor of the goods. Darley understands that [CONFIDENTIAL TEXT DELETED – company name] does not import from [CONFIDENTIAL TEXT DELETED – export sources].

**3 Comparison with price guides of competitors in the market (Attachment 8)
[CONFIDENTIAL ATTACHMENT]**

Company	Security door frame	Security window frame	Fly screen frame
[CONFIDENTIAL TEXT DELETED – company name] ¹³	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]
[CONFIDENTIAL TEXT DELETED – company name] ¹⁴	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]
Darley	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]	[CONFIDENTIAL TEXT DELETED – price]

On each occasion, Darley secured sales despite its higher price offers.

We also provide email communications between Darley and customer [CONFIDENTIAL TEXT DELETED – customer name] which state Darley’s price is [CONFIDENTIAL TEXT DELETED – number]% more than a quote from [CONFIDENTIAL TEXT DELETED – Australian industry member], and is also higher than an off-the-counter price from [CONFIDENTIAL TEXT DELETED – Australian industry member]. (Attachment 9). [CONFIDENTIAL ATTACHMENT]

Darley reiterates its view that:

- the goods exported from Zhongya and sold by Darley are not the source of injury to Capral or the Australian industry;¹⁵
- there is insufficient evidence to support Carpal’s claim that any of the material injury caused by dumped exports from Malaysia, Vietnam and other Chinese exports has been “displaced” or “replaced” by the imports under investigation;¹⁶
- Darley is not the price setter in the market;
- fierce competition amongst Australian industry members and lower priced imports from other Chinese exporters, as well as those from Malaysia and Vietnam, have significantly contributed to the injury claimed by Capral.¹⁷

In Darley’s view, the Capral Verification Report indicates that there continues to be insufficient evidence indicating that the exported goods under investigation caused material injury to Capral or the Australian industry as a whole. We respectfully ask the Commission to find that this view is further

¹³ Darley understands [CONFIDENTIAL TEXT DELETED – company name] to be an importer distributor of the goods. Darley understands [CONFIDENTIAL TEXT DELETED – company name] does not import from [CONFIDENTIAL TEXT DELETED – export sources]

¹⁴ Darley understands [CONFIDENTIAL TEXT DELETED – company name] to be an importer distributor of the goods. Darley understands that [CONFIDENTIAL TEXT DELETED – company name] does not import from [CONFIDENTIAL TEXT DELETED – export sources].

¹⁵ See Public Record Doc 024 at page 6.

¹⁶ See Public Record Doc 034 at pages 2 and 3.

¹⁷ See Public Record Doc 024 at page 12.

supported by the evidence presented by Darley in its IQ responses, as well as in the examples provided in this submission.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Charles Zhan', written in a cursive style.

Charles Zhan
Senior Associate