

6 December 2017

Mr Tim King
Case Manager
Investigations 3
Anti-Dumping Commission
Level 35
55 Collins Street
Melbourne Victoria 3000

Email: tim.king@adcommission.gov.au

Public File

Dear Mr King

Investigation No. 442 – Aluminium extrusions exported from P R China by Guangdong Jiangsheng Aluminium Co., Ltd, and Guangdong Zhongya Aluminium Company Limited of China, and from Thailand – Material Injury to Australian industry

I. Summary

Capral Limited (“Capral”) submits that the Australian industry has suffered material injury from dumped exports of aluminium extrusions to Australia by Jiangsheng Aluminium Co., Ltd (“Jiangsheng”) and Guangdong Zhongya Aluminium Company Limited (“Zhongya”) of China, and from exporters in Thailand, during the 2016/17 investigation period.

The injury sustained by the Australian industry in 2016/17¹ continued on from the material injury experienced in 2015/16 as confirmed in Investigation No. 362. Provisional measures were imposed in Investigation No. 362 on 17 October 2016. The investigation in the current Inquiry No. 442 comprises an almost full twelve-month period following the imposition of provisional measures in Investigation No. 362 on exports from Malaysia and Vietnam.

Exports of aluminium extrusions from China (other than those by Jiangsheng and Zhongya) throughout the current investigation period were the subject of anti-dumping and countervailing measures. Exports by Jiangsheng and Zhongya and, exports by all exporters in Thailand, were not the subject of dumping measures and faced no impost upon importation into Australia. Capral understands that the exports by Jiangsheng and Zhongya accounted for approximately half of all Chinese exports to Australia during 2016/17 and were unfettered by any IDD. Exports by Jiangsheng and Zhongya continued to flourish, as evidenced by Capral through the price undercutting examples provided to the Anti-Dumping Commission in its application and during the conduct of the Capral verification visit.

Capral further evidenced examples of price undercutting during 2016/17 from exports sourced from Thailand.

Capral’s economic performance in 2016/17 represents an inadequate return on capital invested in the manufacture of aluminium extrusions. Continued price suppression has prevented improvements in profit and profitability (following the imposition of measures in October 2016 in Investigation No. 362), resulting in an inadequate return on investment. It is contended that export prices for aluminium extrusions to Australia by Jiangsheng and Zhongya were competitive with other Chinese exporters that, as per the

¹ Investigation period in Inquiry 362 was 1 July 2015 to 30 June 2016.

recent findings in review Investigation No. 392, were at dumped prices ranging from 3.6 per cent to 59.1 per cent. Similarly, Thai exporters – in order to secure increased sales in the Australian market – must have been at comparable prices to the Chinese exporters the subject of measures, and therefore have been at dumped prices during 2016/17.

This submission establishes reasonable grounds for the publication of a dumping duty notice that exports of aluminium extrusions (“the goods”) by Jiangsheng and Zhongya of China, and all exporters from Thailand, have been at dumped prices resulting in injury that is material to the Australian industry. A Preliminary Affirmative Determination (“PAD”) and the imposition of provisional anti-dumping measures is required to prevent further material injury to the Australian industry, including any future threat of incremental injury that will result from increased exports from the two Chinese exporters and the Thai exporters.

II. Price undercutting

Capral’s application for anti-dumping measures outlined price undercutting from exports by *exporter* (at *customer* and *customer*, accounting an estimated xx per cent of *exporter* annual volumes), (via *importer* into various *Australian industry* customers), and from *exporter* of Thailand. Margins of undercutting were as high as 40 per cent.

During the verification visit, Capral provided further evidence of price undercutting by *exporter* (via *importer*) at *customer* by approximately 30 per cent, and a further example for Thai exports by *exporter*, at an account where Capral has not been able to secure volume (dated 8 September 2017).

Market information confirms that exports by Jiangsheng and Zhongya of China, and exporters in Thailand, have undercut the Australian industry’s selling prices to secure volumes in 2016/17.

III. Material injury

The impact of the dumping from the Chinese exporters Jiangsheng and Zhongya, and Thai exporters, on Capral’s manufacturing business is demonstrated in its A6.1 domestic CTM&S schedule. The Commission determined that Capral suffered material injury in the 2015/16 year (profit of \$xxx M on turnover of \$xxxx M, or a xxx per cent return on sales) from dumped exports from residual Malaysian exporters and exporters in Vietnam. In the 2016/17 year, Capral’s economic performance for aluminium extrusions remained flat (profit of \$xxx M on sales of \$xxxx M for a xxx per cent return), with profit and profitability remaining at similar levels to 2015/16.

Capral attributes this continued depressed performance to the emergence of exports from Thailand, and the sustained dumping of exports from China by Jiangsheng and Zhongya, which collectively account for more than 25 per cent of total imports into Australia. The price undercutting from the dumped exports has prevented Capral and other industry members from securing a recovery from the injurious effect of dumping (and subsidisation) from exports from China (already the subject of measures) and more recently from Malaysia and Vietnam.

The anticipated recovery from depressed price and profit levels has not materialised as was anticipated following the imposition of provisional measures in October 2016. Continued dumping from Chinese and Thai exports has meant that injury suffered by Capral from dumping in 2015/16 from exports from Malaysia and Vietnam has continued in 2016/17 with exports from Thailand and China (by exporters not the subject of measures) undercutting all other suppliers on the Australian market. The price undercutting has suppressed Capral’s selling prices, resulting in a subdued profit and profitability performance in the investigation period.

IV. Threat of future material injury

Article 3.4 of the WTO Anti-Dumping Agreement (“ADA”) set out the factors to be considered in a determination of the threat of material injury. Whilst Capral has not relied upon a threat of injury as the basis for its application for anti-dumping measures on exports of the goods by Jiangment and Zhongya of China and all Thai exporters to Australia, in the absence of measures, the Australian industry is threatened with material injury from dumping.

The Dumping and Subsidy manual cites a non-exhaustive list of factors to be considered in the ADA when making a determination on threat of material injury. These factors include:

- A significant rate of increase of dumped/subsidized imports into the domestic market indicating the likelihood of substantially increased importation;
- Sufficient freely disposable, or an imminent, substantial increase in, capacity of the exporter indicating the likelihood of substantially increased dumped/subsidized exports to the market, taking into account the availability of any other export markets to absorb any additional exports;
- Whether imports are entering at prices that will have a significant depressing or suppressing effect on domestic prices, and would likely increase demand for further imports;
- Inventories of the products being investigated;
- In subsidy case, the nature of the subsidies and the subsequent likely trade effects.

Increase in imports from China and Thailand

Imports from China in 2016/17 increased by 15 per cent over the previous year². As previously indicated, exports from Jiangsheng and Zhongya account for approximately 50 per cent of total exports to Australia from China. On the basis that Chinese exporters the subject of measures have recently³ been revised and new variable factors apply, exports by Jiangsheng and Zhongya – not fettered by any IDD – are more attractive to Australian importers and will likely increase.

In respect of imports from Thailand, there was a 28 per cent increase in 2016/17 over volumes in 2015/16 (and a doubling of the volumes evident in 2014/15). With measures applied to exports from China, Malaysia and Vietnam, supply from Thailand where measures do not apply becomes immediately attractive.

Sufficient freely disposable exports

The Commission is aware that measures apply to aluminium extrusions exported from China in the USA and Canada. The imposition of measures on Chinese exports by administrations in both countries severely curtails the ability of Chinese exporters to freely place exports of aluminium extrusions. The Australian market with relative free access is therefore a very real option for export for Chinese and Thai exporters not the subject of measures.

The Chinese exporters Jiangsheng and Zhongya and Thai exporters therefore will seek out markets such as Australia for supply where they respectively are currently not prevented from supplying at dumped levels.

Significant depressing and suppressing impact on prices

Capral has demonstrated that Jiangsheng and Zhongya, and Thai exporters, have exported at prices that have undercut Capral's selling prices in the investigation period. The impact of the price undercutting has contributed to a suppression in Capral's margin over costs, thereby limiting Capral's ability to secure price recovery from material injury sustained from dumping in preceding periods to the current investigation period.

Inventories

Capral does not have access to information concerning the inventory levels of the subject exporters in China and Thailand. However, Capral notes the not insubstantial increase in export volumes from both countries in the current investigation period.

² For years ending June as per Capral's application at B-1.5.

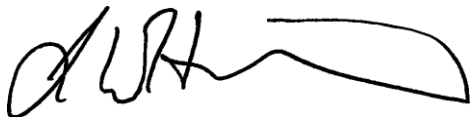
³ Review Investigation No. 392.

Capral has demonstrated that it has suffered continued material injury from the effects of dumping from exports of aluminium extrusions to Australia by Jiangsheng and Zhongya of China, and from all exporters in Thailand in 2016/17. The exports from the identified exporters have increased in 2016/17 over the levels in 2015/16 due to the impact of anti-dumping measures on exporters in Malaysia and Vietnam from October 2016. The exporters in the current investigation have filled the supply opportunities created by the imposition of provisional measures in Investigation No. 362 and now have well-established channels of supply into the Australian market.

It is submitted by Capral that anti-dumping measures are urgently required to prevent further material injury to the Australian industry from the dumping of goods by Jiangsheng and Zhongya and exporters in Thailand. In the absence of measures, the Australian industry is faced with a significant threat of further material injury that only an earlier PAD and imposition of provisional measures can prevent.

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', with a long horizontal flourish extending to the right.

Luke Hawkins
General Manager – Supply and Industrial Solutions