



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

**Anti-Dumping  
Commission**

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**INVESTIGATION 362**

**INVESTIGATION INTO THE ALLEGED DUMPING AND  
SUBSIDISATION OF  
CERTAIN ALUMINIUM EXTRUSIONS  
EXPORTED FROM  
MALAYSIA AND THE SOCIALIST REPUBLIC OF VIETNAM  
VERIFICATION REPORT – AUSTRALIAN INDUSTRY  
G.JAMES EXTRUSION CO PTY LTD**

**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 THE ANTI-DUMPING COMMISSION**

**March 2017**

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## **1 BACKGROUND**

On 16 August 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an investigation in respect of the alleged dumping and subsidisation of aluminium extrusions exported to Australia from Malaysia and the Socialist Republic of Vietnam (Vietnam). This followed an application for an investigation into the alleged dumping and subsidisation lodged by Capral Limited (Capral).

Anti-Dumping Notice (ADN) No. 2016/77 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The background relating to the initiation of this investigation is contained in Consideration Report No. 362 (CON 362).

Following the initiation, the Commission obtained cost and sales data in submissions from two other Australian manufacturers of aluminium extrusions, G.James and Independent Extrusions. The Commission arranged a visit to G.James in March 2017 to discuss the data it provided, as well as to gather information regarding Capral's claims that Australian industry has suffered injury caused by the dumped and subsidised aluminium extrusions exported to Australia from Malaysia and Vietnam.

## **2 THE GOODS AND LIKE GOODS**

### **2.1 Australian industry**

G.James is a manufacturer of aluminium extrusions in Australia and makes up a major proportion of the total Australian market for aluminium extrusions.

### **2.2 Like goods sold on the domestic market**

Like goods are defined under subsection 269T(1) of the *Customs Act 1901* (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.

G.James was visited in December 2009 as part of the investigation into dumping and subsidised aluminium extrusions exported from the People's Republic of China (China).<sup>1</sup> During the course of that visit the verification team undertook an inspection of G.James' manufacturing facility in Brisbane and observed various aluminium extrusions in various stages of production. The verification team found that in relation to the aluminium extrusions produced by G.James;

- the primary physical characteristics of the imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common customers;
- the imported and locally produced goods are functionally alike as they have the same or similar end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

### **2.3 Like goods – preliminary assessment**

The Commission's visit to G.James for the purpose of this investigation was undertaken at the same location that was visited in 2009. G.James continues to manufacture extrusions at its facility in Brisbane. The verification team is satisfied that G.James produced goods that:

- are alike in physical appearance;
- compete directly with each other in the Australian market;
- have comparable or identical end-uses; and
- are manufactured in a similar manner.

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<sup>1</sup> Case 148 Public Record Item No.313.

## **3 VERIFICATION OF SALES**

### **3.1 Verification of Australian sales to audited financial statements**

The verification team verified the completeness and relevance of G.James' Australian sales by reconciling it to financial records having regard to the procedures outlined in ADN No. 2016/30. Using the financial records provided by G.James the verification team was able to reconcile its sales data to audited financial statements and management accounts.

G.James' management accounts were sufficiently detailed such the verification team could separately identify sales of aluminium extrusions amongst a small volume of other products sold by G.James Extrusion Co Pty Ltd. The vast majority of sales reported by G.James was in relation to extrusions.

### **3.2 Verification of Australian sales to source documents**

Due to the truncated approach to verification of G.James' data, a downwards verification of sales to source documents has not been undertaken. However, on the basis that the sales data provided by G.James in Appendix A-4 of its submission reconciled to the corresponding management accounts, the verification team considers that its sales data is likely to be accurate.

### **3.3 Verification – summary**

The verification team is satisfied that the sales listing is complete, relevant and accurate.

## **4 COST TO MAKE AND SELL**

### **4.1 Verification of costs to audited financial statements**

The verification team verified the completeness and relevance of G.James' cost to make and sell (CTMS) data by reconciling it to a combination of audited financial statements and detailed management account reports having regard to the procedures outlined in ADN No. 2016/30.

### **4.2 Verification of costs to source documents**

Although the verification team did not verify G.James' costs to source documents, a comparison of the data in Appendix A-6 of its submission to its management accounts found that the cost data in its submission had been accurately reported.

### **4.3 Cost to make and sell – summary**

The visit team considers that G.James' CTMS data reported Appendix A-6 of its submission is relevant, accurate and complete.

## **5 ECONOMIC CONDITION OF THE INDUSTRY**

### **5.1 Injury claims**

In its application, Capral claimed that the allegedly dumped and subsidised imports of aluminium extrusions exported from Malaysia and Vietnam have caused it material injury in the form of:

- price suppression;
- loss of profits;
- reduced profitability;
- reduced capital expenditure;
- reduced return on investment; and
- increased closing stock levels.

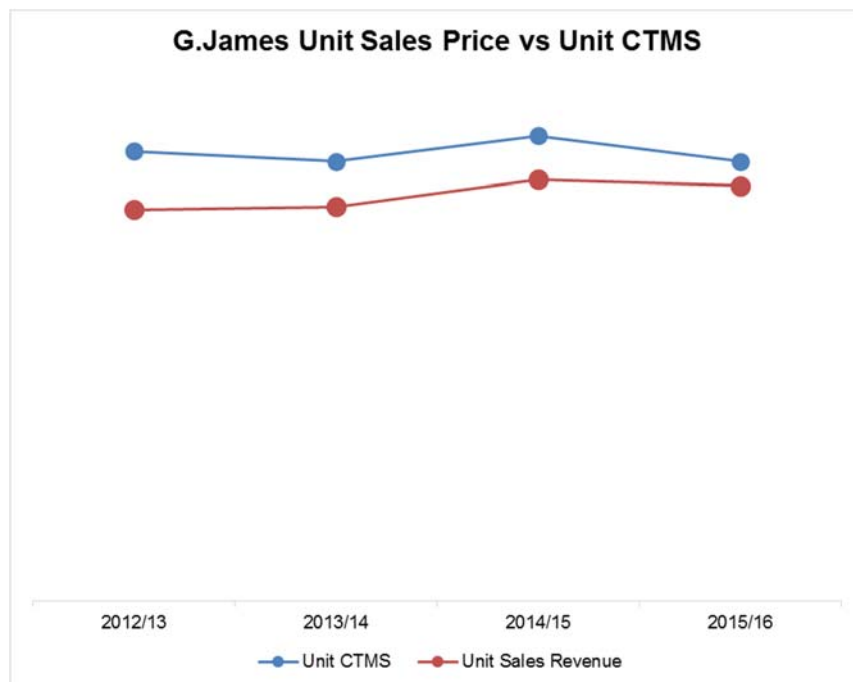
Although G.James was not the applicant, the verification team has sought to assess if the injury claimed by Capral is similarly occurring in relation to G.James.

### **5.2 Price effects**

#### **5.2.1 Price depression**

Price depression occurs when a company, for some reason, lowers its prices.

As indicated in Figure 1 below, G.James unit sales price increased marginally over the injury analysis period, but declined in the investigation period, which is indicative of price depression.



**Figure 1 – G.James domestic unit CTMS and unit sales price**

### 5.2.2 Price suppression

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

In determining whether price suppression has occurred, the verification team has examined:

- 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
- 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 1 shows movements in G.James' domestic weighted average unit CTMS and unit sales prices for all finish types of aluminium extrusions over the injury analysis period.

Figure 1 illustrates that G.James' unit CTMS exceeded its unit sales price in each year of the injury analysis period however the difference between unit CTMS and unit sales price reduced during the injury analysis period. Despite achieving a general increase over the injury analysis period, G.James was still unprofitable in the investigation period.

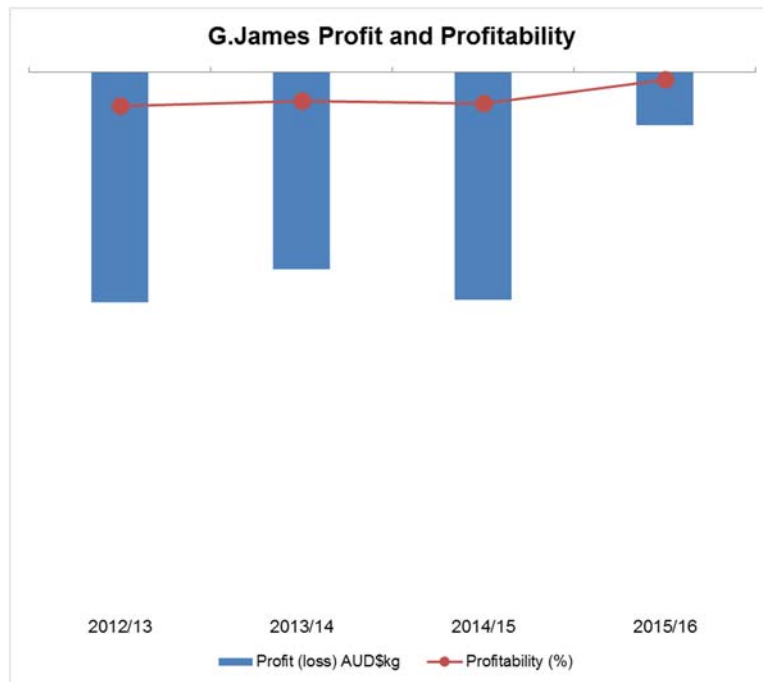
Figure 1 shows that unit sales prices increased in the first three years of the injury analysis period. However both unit sales price and unit CTMS reduced in the investigation period, and the reduction in unit CTMS was greater than the reduction in unit sales prices. Notwithstanding these observations, G.James' unit sales prices have not maintained 2014/15 levels into the 2015/16 period thereby suggesting that any benefit that may have been realised in achieving cost reductions has been offset by downward pressure on prices.

Although G.James acknowledged and agreed with the observations regarding the movements in cost and prices, its views on the causes of the injury were broad. G.James did not identify specific examples of where it had been injured by dumped extrusions from Malaysia or Vietnam. However it was of the view that dumping was likely to be a significant factor in explaining the causes of the downward pressure on prices.

The verification team is satisfied that G.James has suffered injury in the form of price suppression.



### 5.3 Profit effects



**Figure 2 – G.James unit profit and profitability**

Commensurate with the data illustrated in Figure 1, G.James sales of aluminium extrusions in the investigation period were not profitable in any year of the injury analysis period.

Although G.James appears to have experienced significant improvements in its financial performance, the verification team is satisfied that G.James has suffered injury in the form of reduced profit and profitability due to the suppressed nature of its sales prices.

### 5.4 Other economic factors

#### 5.4.1 Reduced capital expenditure

At Appendix A-7 of its submission G.James reported its levels of capital expenditure through the injury analysis period. G.James's reported relatively similar levels of capital expenditure in each year of the injury analysis period.

The verification team understands that capital expenditure reported by G.James was in relation to maintain ongoing operations rather than significant purchases of new equipment or facility expansions.

#### 5.4.2 Reduced return on investment (ROI)

The verification team has calculated an ROI based on the net gain (loss) on the sale of aluminium extrusions as a ratio of total assets.

G.James' ROI was observed to improve across the injury analysis period however was still negative up to the end of the investigation period.

### **5.4.3 Increased closing stock levels**

G.James provided opening and closing stock levels for each year of the injury analysis period at Appendix A-7 of its submission.

The verification team observed that G.James' closing stock levels were maintained at a consistent level in the last two years of the injury analysis period. Similarly, closing stock levels in the first two years of the injury analysis period were also maintained at similar levels. In the period from 2013/14 to 2014/15 closing stock levels were observed to show step increase of about 10%.

The verification team has not obtained data from G.James relating to revaluation gains and losses on finished goods inventory and raw material stock on hand. However, the verification understands that the combined LME and MJP price fell by approximately 5.5 per cent in the 12 month period ending 30 June 2016 however prices of goods exported from Malaysia and Vietnam have respectively fallen by approximately 8 and 12.5 percent.

As shown in Figure 1, G.James reduced its prices in the 12 month period ending 30 June 2016. The verification team finds it reasonable to conclude that downwards revaluation expenses on closing stocks would have been required and unlikely to have been recovered by G.James. The verification team is therefore satisfied that G.James would also have suffered injury in the form of increased closing stocks.

**6 UNSUPPRESSED SELLING PRICE & NON-INJURIOUS PRICE**

G.James did not comment a preferred approach to calculating an unsuppressed selling price and non-injurious price during the visit.