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Director Operations 3  
Anti-Dumping Commission  
GPO Box 1632  
Melbourne VIC 3001

## Dumping investigation – Aluminium extrusions exported from Vietnam

Dear Director,

This submission is made by Aus Star Holdings Pty Ltd (Aus Star) in response to the Anti-Dumping Commission's preliminary findings in Statement of Essential Facts Report No. 362 (SEF 392). In Aus Star's view, the Commission's analysis of causation is overly simplistic and lacks necessary rigorous enquiry.

### Flawed price undercutting methodology

The Commission's price undercutting analysis on the basis of all finishes is considered both misleading and unconstructive. As the Commission knows well, there are three primary finishes in which aluminium extrusions are sold, being mill, anodised and powder coated. The Commission is also aware from information available to it that selling prices vary considerably amongst these three finishes.

This is supported by Aus Star's submitted and verified sales data which shows that mill finish extrusions sold at a discount of █% to that of powder coated. The Commission would also have sales information from the relevant industry members and other importers of extrusions from Malaysia to establish that significant price variances exist between the different finishes.

Given then the known and observed price variances between the three predominant finishes sold in the Australian market, a price undercutting analysis that simply compares the weighted average unit price of all finishes is inadequate and provides no real insight into price relativities. For example, the observed undercutting of Vietnamese imports relative to industry's prices shown in Figure 10 of SEF 392, may simply be a function of a contrasting product mix with █% of Aus Star's sales being represented by mill finish extrusions. Whereas the industry's equivalent sales of mill finish are understood to represent approximately █% of total sales, with the remainder being represented by the higher priced anodised and powder coated products.

The usefulness of the undercutting analysis at Figure 10 is further in doubt due to the observed sharp movements in unit selling prices of Malaysian dumped imports which fluctuate above Malaysian non-dumped imports and below Vietnamese dumped imports over a quarterly period. Aus Star suspects that this erratic movement in selling prices is simply a function of the variation in product mix from month to month which will understandably affect the weighted average selling prices.

Aus Star also queries the reliability of the price undercutting analysis shown at Figure 16 and 17. As the report highlights, the analysis focused on sales of mill finish products but does not explain whether the sampled customers were sourcing the same or similar profiles, and whether the sales related to purchases of standard or custom made profiles. This is again considered important as Capral confirms that *'import products do not cover the whole range of Australian market requirements.... Another feature of this process is the tendency for common, easier to make profiles to be dual-sourced, with the more difficult and lower-run volume sections mainly supplied from local sources.'* As Aus Star has explained to the Commission, it sources extrusions from Vietnam which are predominantly of common and standard profiles. Therefore, to ensure that prices are being properly compared, Aus Star requests the Commission to properly compare similar profiles to avoid including higher-costing lower-run complex profiles.

In response to this issue being previously raised by Aus Star in an earlier submission, the Commission seeks to query the validity of the impact of cross section complexity on prices by stating:

*The examination of the Australian industry and exporter price lists obtained by the Commission during the investigation revealed that the price of aluminium extrusions are primarily set with reference to the price of aluminium raw materials. Additional price determinants were observed for surface finish, and alloy. However, cross section complexity was not observed to influence price in any price list.*

Aus Star is concerned by the Commission's apparent lack of clarity and understanding surrounding the price setting mechanism of the local producers and exporters alike. In its submission to the investigation, Capral correctly explains that:

*'Manufacturers mainly sell aluminium extrusions to the next level of trade (distributors and OEMs) on a pricing formula reflecting:*

- 1. The London Metal Exchange (LME) base price, plus*
- 2. Premiums (billet premiums and Major Japanese Port ("MJP") premium);*
- 3. A conversion or processing fee (to cover conversion costs, profit and freight to customer store or wharf for export), plus*
- 4. Finish extras if applicable (e.g. painting/powder coating or anodising).*

Where customers require a complex profile which is likely to impact on production efficiency due to low volumes and lower throughput resulting in higher unit fixed costs, the manufacturer will adjust its conversion or processing fee to adequately cover the expected higher costs for producing the complex profile. This is a well understood and accepted principle in the global aluminium extrusion industry and it is of particular concern that the Commission appears unaware of this practice.

### **FOB export price comparisons**

In a similar manner to the flaws in the price undercutting analysis, Aus Star objects to the FOB export price comparisons on a total product basis without any indication of the relative product mix by finish. For example, Figure 11 shows that Malaysian export prices were consistently below Vietnamese prices through to June 2014 and then increased sharply to be consistently above Vietnamese export prices. A possible explanation for this change in relative prices is simply a change in product mix with an increase in exportation of higher priced anodised and/or powder coated products.

This is also highlighted by the Commission's conclusion that:

- the reduction in the FOB export price of goods from Malaysia from Q2-2015 is likely a reaction to the rapid increase in goods from Vietnam at lower prices;*

This is a predictable conclusion stemming from a lack of detailed analysis. The observed reduction could again be simply explained by a change in product mix, although it is more likely to be explained by the movement in LME primary aluminium prices with June quarter 2015 experiencing the largest quarter on quarter reduction over the injury analysis period.

**Unsound 'but-for' analysis**

On the basis of its but-for analysis, the Commission has preliminarily concluded that:

*Australian industry's unit sales price would have increased by approximately 20 cents per kg and unit profitability would have been approximately 3.6 per cent higher. As a result, total profit for the Australian industry would have increased by approximately 18 million dollars over what was earned in the investigation period.*

Aus Star disputes this finding as there is no explanation to explain how the Commission estimated a \$0.20/kg increase in the industry's selling prices. It is noted that in its assessment, the Commission makes no mention of how it is possible that industry could have increased its prices during the investigation period when LME primary aluminium prices were falling and non-dumped imports from Malaysia and China were substantially undercutting industry's prevailing prices.

**Conclusion**

The Commission's causation analysis is considered unconvincing and fundamentally flawed in certain aspects. Aus Star contends that the evidentiary threshold has not been established to be satisfied that imports from Vietnam caused material injury to the Australian industry producing like goods. Aus Star requests the Commission to re-examine its causal link analysis in light of the issues raised in this submission, and correctly terminate the investigation as it relates to Vietnam on the basis that the subject imports caused negligible injury.

Yours sincerely

Kevin Lehmann