

5 May 2017

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Public File

Dear Mr Crooks

Investigation No. 362 – Capral Limited’s comments re submissions in response to Statement of Essential Facts No. 362

I. Introduction

I refer to recent submissions received in response to Statement of Essential Facts No. 362 (“SEF 362”) concerning aluminium extrusions exported from Malaysia and Vietnam.

Capral Limited (“Capral”) considered it appropriate to respond to recent submissions by interested parties following the release of SEF 362.

II. Submission by Global Vietnam Aluminium Company Limited

The Anti-Dumping Commission (“the Commission”) identified Global Vietnam Aluminium Company Ltd (“GVA”) as a selected exporter. GVA was not visited by the Commission during the conduct of the inquiry. Additionally, GVA did not sell aluminium extrusions (“the goods”) on the domestic market in Vietnam and normal values for GVA were based upon “*suitable and relevant sales made by East Asia Aluminium Pty Ltd and Mien Hua Precision Mechanical Co., Ltd at a comparable level of trade as the goods exported to Australia by GVA*”.

GVA has made representations that the Commission has unfairly and reasonably determined GVA’s normal values without proper consideration concerning adjustments.

GVA has complained that the Commission has not adequately considered the following factors:

- Order volumes associated discounts;
- Complexity of profiles and associated higher production costs;
- Overall cost structures due to location of premises;
- Differences in payment terms;
- Differences in selling costs in the domestic and export markets;
- Different VAT implications in the domestic and export markets; and
- Sales made at different levels of trade.

The Commission took full account of the level of trade of sales by EEA and Mien Hua. GVA’s concerns surrounding the level of trade and order volumes and discounts, were therefore addressed in the selected

sales for normal values. In relation to costs associated with production costs, etc, it is noted that the Commission has determined normal values for EEA and Mien Hua under subsection 269TAC(1). For any potential cost differences that GVA may have incurred, these must be shown or demonstrated to have impacted price. GVA has indicated its support to the Commission's basis for normal values under subsection 269TAC(1), however, for the further claimed cost differentials where GVA contends adjustments are required, GVA has not submitted information to the Commission evidencing price impact. GVA has had sufficient time following the notification that it was a 'selected' exporter to provide this information. On the basis that GVA has not provided sufficient information to enable the Commission to examine the validity of cost differentials that impact price, the claimed adjustments must be disallowed.

III. Aus Star Holdings Pty Ltd

Aus Star Holdings Pty Ltd ("Aus Star") has asserted that the Commission's material injury analysis as detailed in SEF 362 is "overly simplistic and lacks necessary rigorous enquiry". It is further argued by Aus Star¹:

"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".

The Commission has examined in its price undercutting analysis the selling prices by customer and finish for imports from Vietnam. At Section 8.6.3 of SEF 362, the Commission explains:

*"The Commission has observed that the customers who dual source aluminium extrusions from the Australian industry and from Vietnamese imports, predominantly purchase **one finish** type of aluminium extrusions, being **mill finish**. The analysis has therefore sought to compare mill finish prices in relation to specific customers and all customers generally."* (Emphasis added).

The Commission has indicated that the imports into customers that dual source from Vietnam is predominantly mill finish goods. As a result, the Commission's analysis is by finish and is not on a weighted average of all sales as indicated by Aus Star (although it is subsequently conceded by Aus Star that the analysis did focus on mill finish).

Aus Star further suggests that the Commission has not considered sufficiently the cross-section complexity of the goods. It was not brought to the attention of the Commission prior to exporter visits that cross-section was a key attribute that influences selling prices. Aus Star has not provided details as to how the complexity of cross-section in the manufacture of the goods impacts the selling prices of the aluminium extrusions.

Aus Star has also argued against the Commission's use of the 'but-for' analysis in its injury assessment. Capral highlights that the Australian market for aluminium extrusions is price sensitive and transparent and that the levels of price undercutting from the goods exported from Vietnam at between 21 and 25 per cent would undoubtedly impact the Australian industry's selling prices. It is therefore not unreasonable for the Commission to suggest that the Australian industry's selling prices would have been higher in the absence of price undercutting from the source of the lowest-priced imports throughout the investigation period.

IV. East Asia Aluminium

East Asia Aluminium ("EAA") has further pursued the Commission for not providing an adjustment allowance for alleged volume based discounts. In EAA's recent submission (dated 1 May 2017), it has argued that the Commission has disallowed the claimed adjustment on the basis "of the evidentiary requirements for accepting such an adjustment".

Capral, however, supports the Commission's explanation as detailed in the EAA Exporter Visit Report². In that report, the Commission explains:

¹ Aus Star submission, EPR Document 80, P.1.

² EAA Exporter Visit Report, EPR Document 48, Section 6.4, P.11.

“EAA’s adjustment claim is based upon a comparison between the price achieved by its largest export customer subject to a volume discount and the price achieved by its largest domestic customer also subject to a volume discount. EAA stated that the weighted average percentage difference between the two prices over the investigation period should be the amount applied as an adjustment.”

In rejecting EAA’s claim, the Commission correctly confirms that EAA is comparing a domestic sales customer with an export sales customer, rather than establishing that differing volumes on the domestic market evidence the existence of a discount. Capral agrees with the verification team that “EAA’s comparison of prices between an export customer and a domestic customer is akin to an assessment of dumping as opposed to an adjustment claim”.

In order for an adjustment claim based upon volume discounts to succeed, EAA must evidence that the price differential exists between two domestic sales customers.

In SEF 362 the Commission indicates that insufficient evidence has been provided by EAA in support of the volume discount adjustment. In the absence of evidence of a volume discount on comparable domestic sales, the Commission cannot afford EAA an adjustment.

EAA has further requested the Commission to consider an adjustment for wall thickness, that it argues is associated with profile complexities. The Commission provided interested parties with the opportunity to raise issues for consideration in the model matching process. Profile complexities was not raised by interested parties as an item impacting pricing in the model matching process and was not further considered. However, following verification with exporters, this matter has now been raised. Capral does not consider that there exist grounds for adjustments based upon alleged profile complexities when it is evident that sales of domestic and export aluminium extrusions are identical.

V. Mien Hua Precision Mechanical Co., Ltd

Mien Hua Precision Mechanical Co., Ltd (“Mien Hua”) has requested the Commission to reverse adjustments for packing cost differences that exist between domestic and export sales as the claimed differences identified in its exporter questionnaire response (“EQR”) were “roughly estimation which are inaccurate” and that subsequent to the verification visit, “*There is no difference in the costs relating to packing the goods for export and the goods sold domestically*”³.

Mien Hua has further referred to the absence of packing adjustments for EAA, Press Metal Berhad and LB Aluminium Berhad as evidencing the need for no adjustment.

Capral does not consider that the Commission can reverse its decision to make adjustments to Mien Hua’s normal value when it has evidenced the existence of the identified costs (upon which adjustments were made) during the verification visit.

Mien Hua has also sought to press for an adjustment to its normal value for claimed costs it incurs as part of its warranty on powder coating finishes associated with domestic sales. Capral notes the Commission’s comments in the Mien Hua exporter visit report that states:

“Further enquiries with the exporter which sought to clarify its powder coating costs were unsuccessful in satisfying the verification team that its claim for an adjustment could be accepted. The cost of powder applied in its CTMS data is therefore the weighted average cost of all powders consumed during each quarter of the investigation period.”

It is clear that the Commission was unable to validate the claimed costs during the verification visit with Mien Hua. As a result, the alleged costs cannot be accepted as being different on domestic versus export sales. In the absence of verified supporting information, Mien Hua’s claim for a cost adjustment for powder coating must therefore be rejected.

³ Mien Hua submission, EPR Document 82, P.2.

VI. Focus Merchant Management Sdn Bhd

Focus Merchant Management Sdn Bhd ("FMM") has submitted that it does not agree that it should be categorised as an "uncooperative exporter" from Malaysia. FMM claims in its 6 April 2017 submission (received on 3 May 2017) that it did not receive the posted Exporter Questionnaire as forwarded on 26 September 2016. It is claimed that FMM did not receive any advice from the Commission before 22 September 2016.

Whereas the timeline of events as detailed by FMM may have occurred, Capral points out that there have been a number of announcements concerning the revision of securities and delays to publication of SEF 362 that would have impacted FMM yet FMM did not make any earlier contact with the Commission. At this late stage of the investigation, FMM's status as an uncooperative exporter cannot be re-evaluated.

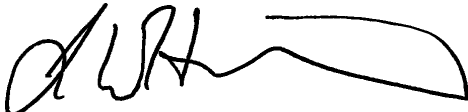
VII. Conclusions

Following a review of the submissions in response to SEF 362 by certain exporters of aluminium extrusions to Australia, Capral does not consider that sufficient grounds have been presented to warrant a change in the Commission's assessment of normal values for each of GVA, EAA, Mien Hua or FMM as presented in SEF 362. Capral therefore requests the Commission to affirm its proposed recommendations in respect of each of the identified exporters and recommend that anti-dumping measures be applied to all exporters of the goods from Vietnam, and all uncooperative exporters from Malaysia.

Additionally, Capral welcomes the Commission's proposed recommendation to apply countervailing measures to the uncooperative Malaysian exporters of the goods.

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



Luke Hawkins
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