

10 July 2023

The Director
Investigations Unit 4
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Dear Sir/Madam

Public File

Reinvestigation No. 591 – Anti-Dumping Commission Preliminary Reinvestigation Report
- Aluminium extrusions exported from Malaysia and Vietnam

I. Executive Summary

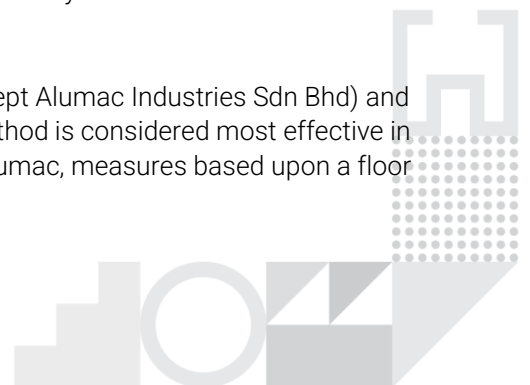
Capral Limited (“Capral”) welcomes the Preliminary Findings (“Findings”) contained in the recently published Anti-Dumping Commission Reinvestigation Report. The Findings follow the referral by the Anti-Dumping Review Panel (“ADRP”) requesting certain matters pertaining to material injury and the future threat thereof to the Australian industry from dumped exports from Malaysia and the Socialist Republic of Vietnam (“Vietnam”).

Specifically, Capral concurs with the Findings including:

- that in the absence of measures, importers will face lower import costs and will be able to use the dumped import prices “advantageously” to adopt competitive pricing to undercut Australian industry prices;
- whilst imports from other sources may influence the Australian industry’s selling prices this does not detract from the fact that imports from Malaysia and Vietnam “are likely influencing Australian industry’s pricing”;
- the decline in imports during the pandemic was a short-term factor that could not be considered representative of the impact of pricing pressures from dumped imports from Malaysia and Vietnam over the longer term;
- that *the expiry of the anti-dumping measures applying to exports of aluminium extrusions from Malaysia and Vietnam would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.*

Capral agrees with the Anti-Dumping Commission’s (“the Commission”) reinvestigation findings and urges the Commissioner to recommend that the anti-dumping measures on exporters in Malaysia and Vietnam be reinstated at the earliest opportunity.

In respect of the form of measures to be applied to exporters in Malaysia (except Alumac Industries Sdn Bhd) and Vietnam, Capral recommends that measures based upon the combination method is considered most effective in light of the continued dumping during the investigation period. In respect of Alumac, measures based upon a floor price methodology should apply.



Capral notes¹ that the Reinvestigation Report states that the Commission has not considered Capral's submissions (EPR Documents No. 40 and 42) for the purposes of the PRR. Capral requests the Commissioner to consider the further evidence of price undercutting submitted by Capral in the nominated submissions for the purposes of publishing final findings and recommendations to the ADRP.

II. ADRP Request for Reinvestigation

The ADRP requested the Commissioner to reinvestigate:

- whether the Commissioner is satisfied that, if the measures expired, would it lead or be likely to lead to the continuation or recurrence of dumping or subsidisation and the material injury that the measures are intended to prevent;
- whether the Commission's price undercutting analysis had considered the correct level of trade for the pricing evidence relied upon;
- further analysis of the price undercutting and competition from imports from Malaysia and Vietnam may assist in the Commission's analysis;
- Analysis of the non-injurious price ("NIP") may assist the price-effect injury analysis;
- Report 591 contained no information to support a finding that in the absence of measures there would likely be little change to pricing behaviours of importers;
- Further analysis and consideration of the price impacts and whether material injury was likely to continue or recur was required;
- Given the Commission's findings that the Australian market was price sensitive and imports placed downward pressure on prices, the Commission's finding that it could not find evidence of the importer's impact on prices requires revisiting;
- Report 591 was focused on the inquiry period with "limited consideration of what is likely to occur if the measures expired". The ADRP noted that very different economic conditions applied during the inquiry period – it was important to assess possible scenarios in light of the reviewed price analysis with the expiration of the measures.

The ADRP considered the Commission's price analysis was central to the question of whether the Australian industry would experience a recurrence of material injury should the measures expire.

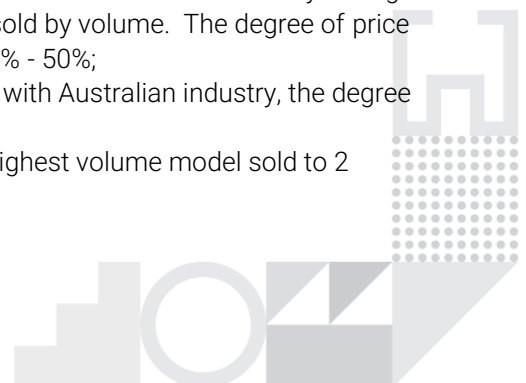
III. The Commission's Reinvestigation Price Analysis

Following reinvestigation the Commission concluded that there existed "a greater degree and a more consistent pattern and frequency of undercutting by Malaysian or Vietnamese import sources during the inquiry period". This is consistent with Capral's understanding of import offers for aluminium extrusions sourced from Malaysia and Vietnam and sold against Capral's production during the investigation period (as evidenced in Capral's application for the continuation of the measures).

Capral further notes the Commission's re-visited price analysis that confirmed:

- Malaysian or Vietnamese direct import prices predominantly undercut Australian industry selling prices across all finish types and across the top four models sold by volume. The degree of price undercutting established in the reinvestigation was between 1% - 50%;
- In its re-analysis of sales by importers to common customers with Australian industry, the degree of price undercutting observed was in the range 0% - 31%;
- further analysis of "simultaneous supply competition for the highest volume model sold to 2

¹ Refer Section 2.4.2 of Preliminary Reinvestigation Report, P. 11.



- suppliers' common customers found some evidence of buyers switching suppliers where unit prices decreased";
- that there was sufficient evidence to be satisfied that *"the Australian market exhibits a significant degree of price competition and price sensitivity"*.

These findings in respect of the re-visited price analysis were sufficient to enable the Commission to be satisfied that it had resolved the issue of price undercutting impacts from imports from Malaysia and Vietnam during the inquiry period.

Capral notes that the Commission did not undertake a comparison with NIP prices as requested by the ADRP as "the inquiry period was market by anomalous market conditions" that the Commission considered would diminish the NIP as being a reliable indicator as to whether future injury was likely.

Capral supports the Commission's price-analysis findings that the Australian market exhibits a *"significant degree of price competition"* and that the re-visited price analysis exhibits *"a greater degree and a more consistent pattern and frequency of price undercutting by Malaysian and Vietnamese dumped import sources"*.

Capral's further representations in its submission to the Commission dated 9 November 2022 (EPR Document No. 40) provided additional evidence of price undercutting from Vietnam where Capral had lost sales volumes to dumped imports. This additional evidence supports the price-analysis findings of the Commission in its PRR.

IV. Pricing behaviours of importers in the absence of measures

Capral welcomes the Commission's finding in PRR that "price is a significant factor in purchasing decisions by Buyers". This finding is supported by the Commission's price undercutting analysis that confirmed that *"Malaysian or Vietnamese direct import prices predominantly undercut Australian industry selling prices across all finish types and across the top four models sold by volume"* and that the Australian market for aluminium extrusions is a *"price sensitive"* market.

Capral has contended in past inquiries that price is the number one criterion for customers purchasing aluminium extrusions. The other factors of security of supply, quality and provision of service are secondary to the primary consideration of price.

Capral further concurs with the Commission's assessment that there exists a high degree of price transparency – particularly between alternate suppliers and source of supply. Capral evidenced in its application for the continuation of measures examples of competitive prices that had impacted Capral's sales volumes – confirming the price transparency of imported Malaysian and Vietnamese products sold to joint customers.

Capral also provided comments in its submission to the Commission (EPR Document No. 42) that identified the decline in FOB export prices for Vietnam across the investigation period – refer Table 3 in submission dated 15 November 2022. The decline in FOB export prices for Vietnam exports to Australia was counter to the increase in input costs for aluminium across the investigation period. The export prices for Vietnam during the last quarter of the investigation period (i.e. April – June 2021) were the lowest in the market and could not be dismissed as having no competitive impact on the Australian industry's selling prices. The Commission's PRR confirms that the export prices from Malaysia and Vietnam were competitive and had undercut the Australian industry during the investigation period.

The Commission's assessment that the expiration of the measures will result in importers having lower import costs that could be used in an advantageous manner is a correct and accurate assessment. The reduced import

costs will permit the importers to further undercut the Australian industry, resulting in lost sales volumes and price-effect injury (flowing through to reduced profits and profitability). It is without question that the reduced import costs will be relevant to their future purchasing decisions.

Capral also agrees with the Commission's analysis that whilst the importers from Malaysia and Vietnam appear to have incorporated the Interim Dumping Duties ("IDD") in their selling prices to customers, should the measures be allowed to expire it is likely, in a price transparent market, that the importers will take advantage of the lower import costs and undercut the Australian industry's selling prices (in the absence of the measures). It is reasonable to conclude that the Australian industry would experience a recurrence of material injury should the measures expire.

V. Impact and influence of other import sources

It is well understood in the industry that China is the largest import source for aluminium extrusions. Importers of the goods from Malaysia and Vietnam therefore must be price competitive with China's exports to Australia.

The Commission's reinvestigation analysis has confirmed:

- For the highest volume mill finish MCC sold, Malaysian direct prices were the cheapest in the market, followed by Vietnamese direct prices. This confirms that importers of Malaysian and Vietnamese aluminium extrusions must price below suppliers of Chinese imports;
- In respect of the highest volume powder coated MCC, Malaysian prices were the lowest, followed by Chinese prices and then Vietnamese prices. Capral is not surprised by this finding as it understands that the greatest proportion of exports to Australia from Vietnam are mill finish products;
- For the highest volume anodised MCC sold, Malaysian prices were the lowest, followed by Chinese prices and then Vietnamese prices. Again, only small volumes of anodised product from Vietnam is supplied into the Australian market (relative to mill finish exports from Vietnam).

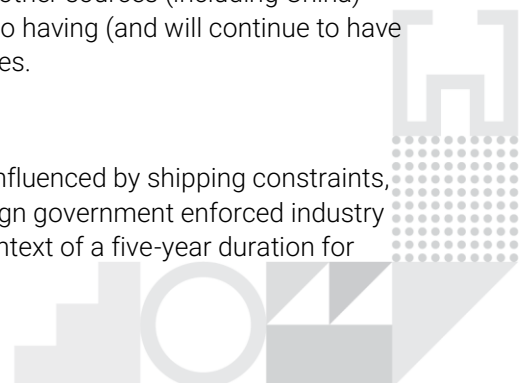
Across all finish types, exports from China, Malaysia and Vietnam undercut the Australian industry's selling prices.

A further relevant observation of the Commission in its re-analysis of the price impact of exports from Malaysia and Vietnam included the finding that *"whilst both Malaysia and Vietnam reflected approximately 4 per cent of imports during the inquiry period, the Commission's common customer analysis indicates that as much as 25 per cent of each Australian industry member's sales volume was to customers also sourcing, or previously sourcing, aluminium extrusions from Malaysia and/or Vietnam"*. This finding is relevant in the consideration of the likely consequential effect in the absence of measures – the importers of Malaysian and Vietnamese aluminium extrusions have well established supply channels to the customer base of the Australian industry and will likely take advantage of lower import costs to increase sales to current and past customers in the absence of measures.

Capral considers that the Commission's preliminary finding that imports from other sources (including China) does not detract from the fact that imports from Malaysia and Vietnam are also having (and will continue to have in the absence of measures) an impact on the Australian industry's selling prices.

VI. Australian market conditions during the Inquiry period

Capral welcomes the Commission's finding that the investigation period was influenced by shipping constraints, increased shipping costs, government pandemic stimulus programs, and foreign government enforced industry shutdowns that can only be considered short term (when considered in the context of a five-year duration for



which measures are applied).

Capral also agrees with the Commission's finding that *"the price relationship between Australian industry prices and import sourced prices, such that any price advantage of dumping was diminished during the inquiry period"*. The benefit experienced by the Australian industry during the pandemic was short lived and the industry has returned to pre-pandemic levels (absence of shipping constraints, reduced import costs, increased import volumes). The longer-term perspective is that the price advantage of lower import costs for importers of Malaysian and Vietnamese aluminium extrusions will benefit importers that will use the price-advantage (through an absence of IDD) to undercut Australian industry selling prices.

It is therefore reasonable and correct that the Commission's assessment that as the impacts of the pandemic recede and following the expiration of the measures, export supply from Malaysia and Vietnam will be more cost effective and timely, resulting in a recurrence of material injury to the Australian industry.

VII. Is material injury likely to continue or recur?

The Commission's PRR confirms that upon reconsideration of the correct level of trade price comparisons, it is likely *"that the Australian industry will be required to adjust their prices or, at a minimum, suppress any price increases in response to importers being able to advantageously price or source dumped goods in the absence of measures"*.

The Commission bases this view on the following relevant findings in its reinvestigation:

- a greater degree and more consistent pattern of price undercutting from importers of Malaysian and Vietnamese imported aluminium extrusions;
- significant price competition exists between import sources and the Australian industry;
- Prices for imported aluminium extrusions from Malaysia and Vietnam reflected the payment of dumping measures in selling prices;
- In the absence of measures, importers are likely to adjust their prices to reflect lower import costs and undercut the Australian industry's selling prices;
- Purchases of imported Malaysian and Vietnamese goods will be able to advantageously source imports in the absence of measures;
- Other importers may switch to sourcing supply from Malaysian and Vietnam in the absence of measures;
- The analysis confirms that Malaysian prices are the lowest in the market for all finished goods in the inquiry period; Selling prices for Vietnam were second lowest (behind Malaysia) for mill finish product and were behind Malaysia and China for powder coated and anodised highest volume MCCs. All imports from Malaysia and Vietnam were priced below the Australian industry's selling prices for the highest volume MCCs in all finishes.
- Although imports from Malaysia and Vietnam accounted for 4 per cent of total imports in the inquiry period, the Commission's analysis across common customers identified as much as 25 per cent of the Australian industry's sales volumes are impacted by selling prices for aluminium.



extrusions from Malaysia and Vietnam.

The Commission also considered the short-term effects of the pandemic and how import supply was constrained over this period. Once all of these factors were considered (i.e. price impacts of imports from Malaysia and Vietnam), Capral agrees with the Commission finding that it is reasonable to conclude, based upon the price sensitive and price transparency nature of the Australian market for aluminium extrusions, that the Australian industry would likely respond to reductions in selling prices or experience price suppression in order to remain competitive.

Following reconsideration of the matters identified by the ADRP in respect of the correct level of trade comparisons for imports from Malaysia and Vietnam with Australian industry selling prices, Capral agrees with the Commission that it is preliminarily satisfied that the expiration of the anti-dumping measures applying to exports from Malaysia and Vietnam would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.

VIII. Form of measures

The Commission has referenced Report 544 and the recommendation contained in Statement of Essential Facts No. 591 ("SEF 591") concerning the preferred form of measures to be applied (in the event measures were continued). The Commission further states in the PRR (Section 8.3) that subject to submissions received in response to the PRR, *"the Commission is of the view that the combination fixed and variable duty method and floor price duty method (as relevant) should be used for IDD"*.

It is Capral's position that throughout the inquiry period measures were in place and despite this, exporters (with the exception of Alumac Industries Sdn Bhd) were found to have exported aluminium extrusions to Australia at dumped prices as follows:

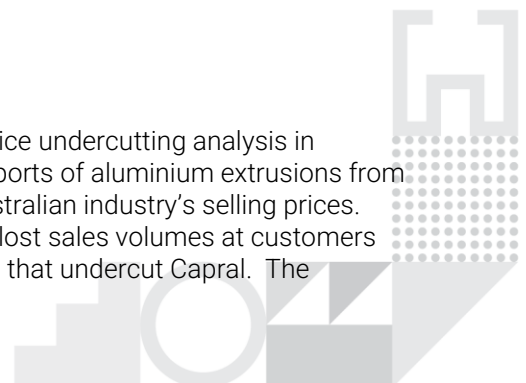
Country	Exporter	Dumping Margin
Malaysia	PMB Aluminium Sdn Bhd	6.7%
	Alumac Industries Sdn Bhd	-2.3%
	Uncooperative and all other exporters	27.0%
Vietnam	East Asia Aluminium Company Limited	5.2%
	Uncooperative and all other exporters	9.0%

Malaysian exporters (except for Alumac) were found to have exported at margins of dumping between 6.7% and 27.0 per cent, and exporters in Vietnam were determined to have dumping margins of between 5.2% and 9.0%.

On the basis that exporters continued to export at dumped prices while the measures were in place it is recommended that the combination method form of measures be applied to all exporters in Malaysia (except for Alumac) and all exporters in Vietnam. For Alumac, Capral recommends measures in the form of a floor price is appropriate.

IX. Conclusion

Capral welcomes the Commission's acknowledgment that it had erred in its price undercutting analysis in Investigation 591. The findings in PRR support Capral's long held view that exports of aluminium extrusions from Malaysia and Vietnam have been at dumped prices that have undercut the Australian industry's selling prices. Capral's application for the continuation of the measures demonstrated it had lost sales volumes at customers that were sourcing aluminium extrusions from Malaysia and Vietnam at prices that undercut Capral. The



Commission's preliminary findings in the PRR support Capral's understanding of the price undercutting that was occurring during the investigation period.

The levels of price undercutting confirmed by the Commission in its reinvestigation are significant. Similarly, the margins of dumping established in Invest 591 for exporters from Malaysia and Vietnam are also significant. The Commission has found that the expiration of the measures would lead to a reduction in import costs for importers that would be advantageous in a price sensitive market. Capral concurs with the Commission that the expiration of the measures would lead to a recurrence of, or a threat of, material injury to the Australian industry that the measures are intended to prevent.

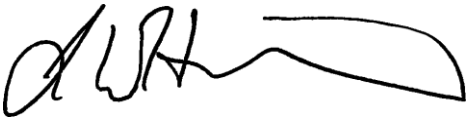
The Commission's proposed recommendation to the ADRP to continue the measures on exports of aluminium extrusions to Australia from Malaysia and Vietnam is supported.

Capral requests that the form of measures to be continued should be on the basis of the combination method (except for Alumac). Alumac's measures should be based upon the floor-price methodology.

Finally, Capral urges the Commission to request the ADRP to recommend the measures be continued from the earliest date possible – this request is urgent given the measures have not operated since 27 June 2022.

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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