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Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

Australian Industry Questionnaire

Product: Aluminium extrusions

From: Malaysia and the People's Republic of China

Period of Investigation: 1 July 2017 to 30 June 2018

Injury Analysis Period: From 1 July 2014

Response due by: Tuesday, 27 November 2018

Important note: The timeliness of your response is important. Please refer below for more information.

Review case manager: Leisa Baynham

Phone: +61 2 6276 1404

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E-mail: investigations4@adcommission.gov.au

Anti-Dumping Commission website: www.adcommission.gov.au

Return completed questionnaire to: investigations4@adcommission.gov.au

OR

Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601
Australia

DECLARATION

I believe that the information contained in this response is complete and correct.

Signature:

Name: Luke Hawkins

Position: General Manager, Supply and Industrial Solutions

Company: Capral Limited

ABN: 78 004 213 692

Date: 26 November 2018

A-1 Identity and communication.

Please nominate a person in your company for contact about the response:

Contact Name:	Luke Hawkins
Company and position:	General Manager, Supply and Industrial Solutions
Address:	Level 4, 60 Phillip Street, Parramatta, NSW 2150
Telephone:	(02) 8222 0113
Facsimile:	(02) 8222 0130
E-mail address:	Luke.hawkins@capral.com.au
ABN:	78 004 213 692

Alternative contact

Name:	
Position in company:	
Address:	
Telephone:	
Facsimile:	
E-mail address:	

If you have appointed a representative to assist with your response, provide the following details and complete Appendix A8 (Representation).

Name:	John O'Connor
Business name:	John O'Connor and Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo QLD 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	3909 865 0241

A-2 Company information.

1. State the legal name of your business and its type (e.g. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of the investigation.

Capral Limited ("Capral") is a publicly listed company on the Australian Securities Exchange (ASX Code: CAA). Capral manufactures and sells aluminium extrusions and other semi-finished, non-ferrous products under its company name.

Capral is a major extruder and distributor of aluminium products. The manufacturing business produces extrusion products at five sites at Bremer Park (Qld), Penrith (NSW), Campbellfield (Vic), Angaston (SA) and Canning Vale (WA).

Capral operates eight major distribution centres and ten 'Capral Aluminium Centres' across all States and the Northern Territory. The distribution business supplies aluminium extrusion products and related components to residential and commercial construction markets, as well as to industrial fabrication and manufacturing markets. Capral also distributes a range of rolled aluminium products and hardware products that are complimentary to its aluminium extrusion products.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Capral has included a copy of its internal organisation chart at Confidential Attachment A-2.2.

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

As a listed company Capral's shareholders change, below are the details of substantial shareholders (as notified to Capral) as at 18 November 2018:

Name	**% of shares held**
Allan Gray Australia	18.89
Perpetual Limited	12.66
Commonwealth Bank of Australia	8.91
Schroder Investment Management Australia	5.26
Total	**46.90**

4. If your company is a subsidiary of another company list the major shareholders of that company.

Capral is not a subsidiary of another company.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

Capral does not have a parent company hence this question is not applicable.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Capral has two wholly owned subsidiaries—Aluminium Extrusion & Distribution Pty Ltd (ABN 80 088 099 861) and Austex Dies Pty Ltd (ABN 84105067267).

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

There are no management fees or corporate allocations charges to Capral.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

Capral does not have a relationship with any of the exporters and/or importers of the goods the subject of the revocation application.

9. Provide a copy of all annual reports applicable to the data supplied in appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

A copy of Capral's 2016 and 2017 Annual Report are available at www.capral.com.au/annual. Capral's 2018 Annual Report is not yet available.

10. Provide details of any relevant industry association.

Capral is a member of:

- Australian Aluminium Extrusions Association
- Australian Window Association (AWA)
- National Security Screen Association (NSSA).

Other manufacturing groups Capral belongs to are Manufacturing Australia (MA), the Manufacturing Trade Alliance (MTA) and the Australian Industry Group (AiG). Capral is also a member of the International Fair Trade Alliance ("IFTA").

A-3 The imported and locally produced goods.

1. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **List this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

The ***goods the subject of the investigation*** for measures (as previously described in Reports No. 148 and 362 imposing measures) are described as:

> *Aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents), with the finish being as extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5 mm., with a maximum weight per metre of 27 kilograms and a profile or cross-section which fits within a circle having a diameter of 421 mm.*
>
> *The goods under consideration ("GUC") include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.*
>
> *The GUC do not extend to intermediate or finished products that are processed or*

fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.[1]

The Dumping Commodity Register ("DCR") describes the goods as follows.[2]

Aluminium extrusions that:

- *are produced by an extrusion process;*
- *are of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents);*
- *have finishes being:*
  - *as extruded (mill);*
  - *mechanically worked*
  - *anodized; or*
  - *painted or otherwise coated, whether or not worked;*
- *have a wall thickness or diameter greater than 0.5 mm;*
- *have a maximum weight per metre of 27 kilograms; and*
- *have a profile or cross-section fitting within a circle having a diameter of 421 mm.*

Reports No 148 and 362 reflected the following goods coverage applicable to aluminium extrusions:[3]

< GUC >				< Non GUC >		
1	2	3	4	5	6	7
Aluminium extrusions	Aluminium extrusions with minor working	Aluminium extrusions that are parts intended for use in intermediate or finished products	Aluminium extrusions that are themselves finished products	Unassembled products containing aluminium extrusions, e.g. 'kits' that at time of import comprise all necessary parts to assemble finished goods	Intermediate or partly assembled products containing aluminium extrusions	Fully assembled finished products containing aluminium extrusions
< Examples >						
Mill finish, painted, powder coated, anodised, or otherwise coated aluminium extrusions	Precision cut, machined, punched or drilled aluminium extrusions	Aluminium extrusions designed for use in a door or window	Carpet liner, fence posts, heat sinks	Shower frame kits, window kits, unassembled unitised curtain walls	Unglazed window or door frames	Windows, doors

2. Provide a summary and a diagram of your production process.

Please refer to Non-Confidential Attachment A-3.2 for a detailed description and diagram of the aluminium extrusions manufacturing process.

[1] REP 148, p. 18 at 3.2

[2] http://www.adcommission.gov.au/measures/Documents/Aluminium%20Extrusions/DCR%20-%20aluminium%20extrusions%20150910%20%282%29.pdf

[3] REP 148, p.19 at 3.4.1

3. If your product is manufactured from both Australian and imported inputs:
   - describe the use of the imported inputs; and
   - identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).

In the mill extrusion production process, raw material in the form of aluminium billet is substantially transformed into aluminium extrusions via a capital-intensive extrusion manufacturing process. Until 2012 Capral's entire aluminium billet was sourced locally. Due to the closure of the Kurri-Kurri smelter in October 2012, it became necessary for Capral to source some of its billet requirements from alternative overseas sources. In recent years, approximately 25% of Capral's billet has been imported from Middle East. Both local and Middle Eastern smelters use similar LME plus Premiums (inclusive of Major Japanese Port Premium) pricing mechanisms for aluminium billet.

A-4 The Australian market.

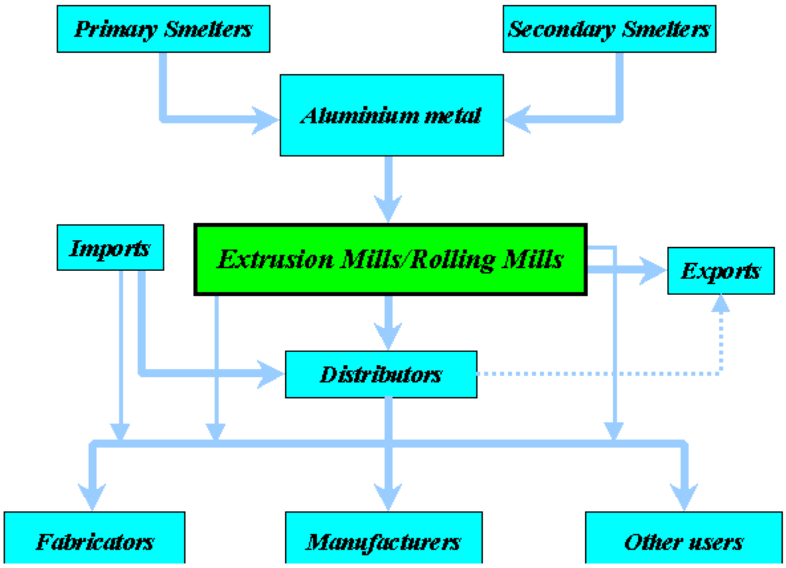
1. Describe the end uses of both your product and the imported goods.

Aluminium extrusions are used in a wide variety of applications, including commercial and residential buildings for window and door frame systems, prefabricated houses/building structures, roofing and exterior cladding, curtain walling, shop fronts, fencing, airframes, road and rail vehicles, marine, electrical and general engineering.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

The diagram below outlines the aluminium extrusion industry's position (shown as Extrusion Mills/Rolling Mills) in the value chain in most, if not all, domestic markets, including Australia. It also shows the distribution channels to fabricators, manufacturers and other users.



A wide range of small to medium retail and trade end-users (including smaller fabricators, manufacturers and other users) order aluminium extrusions from distributors, metal service centres or retailers, with the choice of intermediary mainly reflecting size and complexity of orders, as well as the type of trading relationships developed over time.

In some instances, in the domestic market very large original equipment manufacturers (OEMs), such as large aluminium window manufacturers, further finishers (e.g. anodisers, powder coat/painters) and fabricators, buy directly from the producers, normally in circumstances where the size and simplicity of order is such as not to adversely affect relationships between the producer and major distributors.

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).

The difference between the LME metal price and Premiums, and the selling price, is referred to in the industry as the ‘spread’.

In addition, product profiles made to customer specifications will require special dies to be cut, which will either involve a charge to the customer to cover the upfront cost of producing the die, or will alternatively be paid for by the manufacturer with the cost amortised over the expected life of the die or the contract and built into the price of the extrusions.

Dies are sometimes owned by the customer and supplied to the extruder. Normally, die costs will be separated and negotiated for significant sales. However, a feature of some competition from imports is understood to be the offer of ‘free’ dies, even on small orders without a defined long-term order commitment. It has been usual custom in the industry to recover die costs as a separate item, either upfront for small or uncertain-duration contracts, or amortised over a defined time period for larger orders (cost-reflective pricing), however, in recent years dies have in some instances been included as an attractive enticement in the purchase of imported aluminium extrusions.

Many large customers have been increasingly sourcing a combination of local and imported product of the same specification. Imports almost always undercut domestic prices, however, invariably import products do not cover the whole range of Australian market requirements. Import prices are often used as a 'bargaining' device to obtain lower prices from local aluminium extrusion producers. 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. Multiple sourcing leads to loss of production tonnage, capacity underutilisation and production inefficiencies for local producers, contributing to material injury.

Demand for aluminium extrusions correlates to the general level of economic growth, especially in building/construction, industrial and transportation activities.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

There are currently no commercially significant substitutes to aluminium extrusions available to the Australian market.

There are claims that the market for aluminium extrusions is rising at the expense of other materials such as timber and steel, in industrial and commercial building as well as dwelling construction. However, there is little independent, research-based evidence known to support this proposition.

4. Complete appendix A1 (Australian production).

Capral has completed Confidential Appendix A1 for local production of aluminium extrusions up until June 2018. This has already been provided to the Commission.

5. Complete appendix A2 (Australian market).

Capral has completed Confidential Appendix A2.

A-5 Company sales.

1. Complete appendix A3 (sales turnover).

Capral has completed Confidential Appendix A3.

2. Complete appendix A5 (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

Capral has completed Confidential Appendix A5.

3. Complete appendix A4 (domestic sales).

Confidential Appendix A4 has been provided to the Commission.

4. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

Capral does not have any sales listed in Confidential Appendix A4 to related parties.

5. Attach a copy of distributor or agency agreements/contracts.

Capral does not have a distributor or agency agreement with a third party. A copy of Capral's Supply Agreement between Capral Distribution & Capral Manufacturing is available at Confidential Attachment A-5.5.

6. Provide copies of any price lists.

Capral does not have a price list for the goods the subject of this application. Capral, however, does use a "pricing structure" based upon LME pricing, regional premium and conversion factors. Examples are included at Confidential Attachment A-5.6.

7. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**
- **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported appendix A4 (domestic sales) as a discount or rebate.**

Capral provides, in limited circumstances, [details of rebates] outlined in Confidential Attachment A-5.7 Capral accrues for most of these rebates at the time of invoicing. Therefore, A4 will have the net amount in cases where the rebate is accrued.

8. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

Please refer to Confidential Attachment A-5.8.

A-6 General accounting/administration information.

1. Specify your accounting period.

Capral's full financial year is the 12-month period ending 31 December. Capral also provides half year financial accounts for each 6 month period ended 30 June.

2. Provide details of the address(es) where your financial records are held.

Capral's financial records are held at the following addresses:

- L4, 60 Phillip Street, Parramatta, NSW 2150
- Bremer Park, 71 Ashburn Road, Bundamba, QLD 4304

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- **chart of accounts;**
- **audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);**
- **internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.**

These documents should relate to:

1. **the division or section/s of your business responsible for the production and sale of the goods covered by the application, and**
2. **the company overall.**

A copy of Capral's chart of accounts is available at Confidential Attachment A-6.3.1.

Copies of Capral's annual reports for 2016 and 2017 are provided at Non-Confidential Attachment A-2.9.

A copy of Capral's internal financial statements for the month of May 2018 is included (no report was published in June 2018) at Confidential Attachment A-6.3.2. These statements detail:
(i) profit/loss for each of the five manufacturing operations;
(ii) distribution operations; and
(iii) allocated corporate overheads.

Aluminium extrusions are produced at all five manufacturing plants.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

Capral's accounts comply with Australian accounting standards as certified by independent auditors in the 2017 Annual Report at Non-Confidential Attachment A-2.9.

6. Describe your accounting methodology, where applicable, for:

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Capral recognises income on the date of invoice. Invoices are raised each night for items shipped to the customer on that day. Some customers' net invoice value is determined on the basis of a list price less customer discount percentage, applied on each invoice and therefore recognised during the month. Customer rebates described above (i.e. early payment discounts and consolidation rebates) are calculated and a credit note raised at the end of each month.

  Revenue is measured at the fair value of the consideration received or receivable. Sales revenue comprises sales of goods and services at net invoice values less returns, trade allowances and applicable rebates.

  Revenue from the sale of goods is recognised when all the following conditions are satisfied:

  (i) Capral has transferred to the buyer the significant risks and rewards of ownership of the goods;

  (ii) Capral retains neither continuing managerial involvement to the degree normally associated with ownership nor effective control over the goods sold;

  (iii) the amount of revenue can be measured reliably;

  (iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

  (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- **provisions for bad or doubtful debts;**

  Doubtful Debt provision is based on a percentage of the total debt for customers who are subject to formal payment plans or legal action and [percentage] of the [days] day and over balances. The provision for doubtful debts is reviewed each month and necessary adjustments made to the provision. The provision is based on estimated irrecoverable amounts from the sale of goods, determined by reference to past experience and knowledge of customers. Allowances are made for known doubtful debts at the time of appointment of administrators, liquidators or other formal insolvency events.

  Bad Debts – Debts are determined to be bad and written off when written advice is received from the Receiver, Liquidator or Trustee in Bankruptcy that no further dividend will be paid, or as approved by the Chief Financial Officer.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  Capral's general or overhead costs incurred within the manufacturing business are recognised in the profit and loss of the manufacturing business. These may be captured within a cost centre where they relate to a specific area (e.g. mill, painting, anodising) or they may be captured in a general manufacturing overhead cost centre. In the Confidential Appendix A6 financials, these general overheads have been allocated to Mill, Paint, Anodise and Fabrication (non-like goods) on a per kilogram sold basis.

  The costs of performing Capral's shared services functions (e.g. accounts receivable, accounts payable, payroll, finance) are captured in a Corporate profit centre. These overheads are apportioned to each business as part of Capral's annual budget process. This split is based on an estimate by corporate cost centre owners of the percentage each business uses. For example, a large portion of Capral's information technology spend relates to its enterprise resource planning (ERP) system, SAP. As such, a key determinant of IT corporate allocation is the number of SAP users in each business.

A portion of Capral's corporate costs are not allocated as part of the budget process. This relates mainly to its executive management and some property costs. As part of the Confidential Appendix A6 process, these costs were allocated to each business based on the same proportion of total corporate costs that were allocated as part of the budget process.

Capral does not allocate interest expense to businesses. As part of the Confidential Appendix A6 process, interest costs were allocated on the basis of total funds employed in each business.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  Capral's manufacturing business consists of 5 plants.

  All five plants use a standard costing system to allocate metal, labour and overheads to each production order. Metal is allocated based on a standard consumption level for the pieces produced. Labour and overheads are allocated based on a standard output rate multiplied by a standard activity rate. This is based on a manufacturing bill of materials (BOM) with specific routings to allocate labour and overheads. Angaston and Penrith plants do not maintain stock in SAP for these plants cost of sales and inventory valuation is based on the current LME plus billet premium plus a single average dollar per kilogram standard for Mill Finish, Paint and Anodise.

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (e.g. FIFO, weighted average cost);**

  Raw Material – Capral values its log inventory at a standard cost. The standard includes an LME and billet premium component. The standard is updated on a regular basis, in line with movements in the value of the LME and changes in billet premiums. Revaluation gains or losses are posted to the profit and loss each month.

  Work in Progress (WIP) – Valued based on a standard metal cost (LME plus billet premium as per above) plus a standard cost for labour and overhead (conversion costs) for each area of production. The valuation is based on the accumulation of standard costs up to the last confirmation point. Note that the standard metal cost includes an allowance for metal waste.

  Finished Goods – Valued based on a standard metal cost (LME plus billet premium as per above) plus a standard cost for labour and overhead (conversion costs) for each area of production. For example, a painted product will include a standard metal cost, a standard mill labour and overhead cost and a standard paint labour and overhead cost. Note that the standard metal cost includes an allowance for metal waste. Due to the use of standard costs, finished inventory is compared at least quarterly against actual costs (and net realisable value) and adjustments are posted to the profit and loss as required. Capral also regularly reviews dead and slow moving stock, and posts provisions to the profit and loss as required.

- **valuation methods for scrap, by-products, or joint products;**

  In-House Waste – Metal waste (or scrap) is an inevitable part of the extrusion process. This consists of planned and unplanned waste. In-house scrap is booked into scrap inventory as it is generated (ie: daily).

Customer Returns – Capral receives metal returns from customers where the product is damaged or not as per the customer's order. These returns will generally be scrapped. Customer return scrap is booked into scrap inventory upon recognition that the returned goods are not able to be re-worked or re-sold.

Scrap – Scrap is sold based on agreed contract pricing with third parties. The price is generally expressed as a percentage of the market LME rate. Scrap is held in inventory at a standard cost, which is adjusted on a regular basis, in line with movements in the LME.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**

  As per above, Capral books damaged goods into scrap on a regular basis and re-values this stock to net realisable value on a regular basis (generally monthly). Capral also regularly reviews dead and slow moving stock, and posts provisions to the profit and loss as required.

- **valuation and revaluation of fixed assets;**

  Fixed asset valuations and revaluations are in line with generally accepted Australian accounting principles. At each reporting date, Capral reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Refer to P. 53 of Capral's 2017 Annual Report.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Refer to Note 30 of Capral's Financial Statements in the 2017 annual report (p.64).

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Where applicable, provisions are made for expenditure in line with generally accepted Australian accounting principles.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

Accounting methods have only changed to the extent required by Australian and international accounting standards during the investigation period.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

Capral has completed Confidential Appendix A6.1 and A6.2 to 30 June 2018.

A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this questionnaire, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue.

1. **Estimate the date when the material injury from dumped imports commenced.**

This questionnaire has been completed in respect of:

- The review and revocation of measures in respect of an application by Alumac Industries Sdn Bhd ("Alumac") that relates only to the review and revocation of applicable countervailing measures; and
- The revocation review in relation to the countervailing notice applicable to Guangdong Zhongya Aluminium Company Ltd ("Zhongya").

Capral (and the Australian industry members) commenced to experience material injury from Zhongya and other Chinese exporters in 2008/09 in the original investigation period. The subsidised exports from Malaysia commenced to cause material injury in 2015/16, as importers sought to displace the IDD and ICD affected exports from China.

2. **Complete appendix A7 (other injury factors).**

Capral has completed Confidential Appendix A7.

A-9 Link between injury and dumped imports.

To publish a dumping duty or countervailing duty notice there must be evidence of a relationship between the injury and the alleged dumping. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

In the recent review of measures investigation involving exports from China (Review Investigation 392) the Commission identified that Zhongya received benefits from the Government of China ("GOC") under four countervailable programs – No's 2, 21, 56 and 58. The Commission determined a subsidy margin of 0.1 per cent for Zhongya. This outcome follows an earlier review investigation (Review Investigation No. 248) where it was determined that Zhongya's subsidy margin was 0.6 per cent.

Whilst it would seem that in the most two recent review of measures inquiries involving the examination of subsidies applicable to Zhongya that the subsidy margins are declining, the exporter continues to qualify for benefits from the GOC.

Capral is concerned that recent measures enforced by the U.S. Government and the subsequent responses of the GOC could see an escalation in subsidies provided by the GOC – particularly to the targeted Chinese aluminium industry. It would therefore be premature to remove the ICD in place – particularly when there continues to be a benefit flowing to the Chinese exporter.

In Anti-Dumping Commission Report No. 362 ("Report 362") it was confirmed that Malaysian exports of aluminium extrusions increased by 30 per cent during the 2015/16 investigation period. Malaysia emerged as the second largest source of exports of aluminium extrusions to Australia during 2015/16. Malaysian exports, therefore, were influential in securing sales volumes at the expense of exports from China at prices that undercut the Australian industry during 2015/16.

2. Use the data at appendix A2 (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at appendix A6.1 (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

The Commission determined that China is the major supply source for aluminium extrusions into the Australian market. In the recent Investigation No.362 it was confirmed that 38 per cent of the exports from Malaysia in 2015/16 were at dumped prices and that these undercut the exports of non-dumped goods from Malaysia, as well as the selling prices of the Australian industry.

The dumped and subsidised exports therefore had caused injury to the Australian industry in 2015/16.

The dumping margins determined for Malaysian uncooperative exporters was 13 per cent, whereas the subsidy margin was significantly lower at 3.24 per cent. The size of the dumping margins determined was a contributing factor in the injury to the Australian industry assessment. The subsidy margin determined (at 3.24 per cent) further amplified the price undercutting and contributed to the uncooperative exporters lower export prices (compared with the exporters that were found not to be dumping).

Exports from China were also found to be injurious in Review Investigation No. 392. Chinese exporters had not raised export prices to reflect increases in LME aluminium prices. There has been a further increase in aluminium prices post Investigation No. 392 of approximately [range] per cent. Chinese export prices, therefore, continue to injure the Australian industry. Capral has included evidence of pricing to a key customer, [*name*] for June and November 2018. It can be seen in the later month that Capral has reduced its price to [customer] (despite increases in LME aluminium costs) from $xxxx per kg to offer an "[*description*]" competitive offer of $xxxx per kg.

Capral has reduced its price against offers from Zhongya exports. Capral has evidenced sales by [*importer name*] in the investigation period (refer Investigation 442 where investigation period overlapped with current investigation period). The [*importer name*] prices undercut Capral's prices. Capral therefore does not consider that the countervailing measures applicable to Zhongya should be revoked.

3. Compare the data at appendix A2 (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at appendix A6.1 (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

The Commission's analysis at Section 7 of Report 362 confirmed that the Australian industry suffered price depression and price suppression, resulting in reduced profits and profitability throughout the 2015/16 investigation period. Chinese exports to Australia at the same time (as review in Report No. 392) were at dumped (and subsidised) margins that undercut the Australian industry's selling prices.

4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

The Commission identified that the Australian industry (as represented by Capral) had also experienced injury in the following forms in the 2015/16 investigation period:

- Reduced capital expenditure;
- Reduced return on investment; and
- Increased closing stocks.

Whilst the dumping and subsidisation had caused injury in the form of price depression, price suppression, reduced profit and reduced profitability, injury was also evident in the above nominated forms.

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

The injury experienced by Capral was 'material' in nature as the margins of dumping were significant, the price undercutting was also substantial, the reductions in profit and profitability were not immaterial, insignificant or insubstantial.

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the investigation in that an industry weakened by other events may be more susceptible to injury from dumping.

There were no other factors at the time (e.g. production outages, short-supply, etc) that had contributed to the injury experienced by Capral.

7. This question is not mandatory. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (other economic factors) to support your analysis.

The Commission determined in Report 362 that exports of dumped and subsidised aluminium extrusions from Malaysia and Vietnam had caused injury that was material to the Australian industry.

Capral continues to monitor exports from all supply sources. Capral notes that in 2018, Malaysia continues to be the second largest source of exports to Australia behind China (which includes exports from Zhongya – the second largest exporter from China). In 2018 (data to September only), exports from Malaysia to Australia have increased to be more than 12 per cent above 2016 levels, in the first nine months of 2018. Malaysian exporters to Australia, therefore, have increased in 2018.

Since the measures were imposed, aluminium ingot prices have increased between [range] per cent, hence the measures are somewhat ineffective in not meeting contemporary price levels. This enables the exporters the subject of the measures to export at dumped prices, resulting in further injury to the Australian industry. The Chinese and Malaysian export prices have not increased by the same degree as raw material aluminium prices.

Given the increase in exports from Malaysia (with further volumes anticipated through until the end of 2018) it would appear to be premature for any Malaysian exporter to be relieved of the subject measures before the five-year duration has expired. Capral acknowledges that if it is established that Alumac is not in receipt of any subsidy benefit(s) from the Government of Malaysia, it would be provided with an ICD rate of zero. Similarly, in respect of Zhongya, the Chinese exporter continues to benefit from subsidies paid by the GOC which could increase at any time in response to the trade sanctions imposed by the US.

Capral does not support the revocation of the countervailing measures applicable to Alumac or Zhongya. The anti-dumping measures are imposed for a five-year period and it would be premature to grant a revocation of the applicable measures at this point in time (only a little after 12 months following imposition by the then Assistant Minister on Malaysia, and the review of measures against China).

APPENDICES

Appendix A1	Australian Production
Appendix A2	Australian Market
Appendix A3	Sales Turnover
Appendix A4	Domestic Sales
Appendix A5	Sales of Other Production
Appendix A6.1	Cost to Make and Sell (& profit) Domestic Sales
Appendix A6.2	Cost to Make and Sell (& profit) Export Sales
Appendix A7	Other Injury Factors
Appendix A8	Authority to Deal With Representative