



Australian Industry Verification Report

Verification & Case Details

Initiation Date	24/02/2020	ADN:	2020/018 and 2020/019
Case	Aluminium Extrusions Mill Finish and Surface Finished - Investigation - Malaysia - Capral Limited		
Case Number	540 & 541		
Australian Industry	Capral Ltd		
Verification from	10/03/2020	to	13/03/2020
Investigation Period	1/01/2019	to	31/12/2019

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

CONTENTS

CONTENTS	2
1 INTRODUCTION	4
2 COMPANY BACKGROUND	5
2.1 CORPORATE STRUCTURE AND OWNERSHIP	5
2.2 RELATED PARTIES.....	5
3 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS	6
3.1 MANUFACTURING IN AUSTRALIA	6
3.2 LIKE GOODS.....	7
3.3 VERIFICATION OF MCCs.....	8
3.4 PRELIMINARY LIKE GOODS ASSESSMENT	9
4 AUSTRALIAN MARKET	10
4.1 BACKGROUND.....	10
4.2 MARKET STRUCTURE.....	10
4.3 PRICING.....	12
4.4 MARKET SIZE	13
4.5 MARKET SHARE.....	15
5 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	16
5.1 EXCEPTIONS DURING VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	16
5.2 IMPORT SALES BY APPLICANT	17
5.3 EXPORT SALES BY APPLICANT	17
5.4 SALES COMPLETENESS AND RELEVANCE FINDING	17
6 VERIFICATION OF SALES ACCURACY	18
6.1 RELATED PARTY CUSTOMERS.....	18
6.2 SALES ACCURACY FINDING.....	18
7 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE	19
7.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA	20
7.2 CTMS COMPLETENESS AND RELEVANCE FINDING.....	20
8 VERIFICATION OF CTMS ACCURACY	21
8.1 COST ALLOCATION METHOD	21
8.2 EXCEPTIONS DURING VERIFICATION OF CTMS ALLOCATION METHOD.....	21
8.3 VERIFICATION OF ACCURACY OF CTMS DATA	21
8.4 RELATED PARTY SUPPLIERS.....	22
8.5 COST TO MAKE AND SELL VERIFICATION FINDING	22
9 ECONOMIC CONDITION	23
9.1 APPLICANT’S INJURY CLAIMS	23
9.2 APPROACH TO INJURY ANALYSIS	23
9.3 COMMENCEMENT OF INJURY, AND ANALYSIS PERIOD.....	24
9.4 VOLUME EFFECTS	24
9.5 PRICE EFFECTS.....	25
9.6 PROFIT AND PROFITABILITY	27
9.7 OTHER ECONOMIC FACTORS	28
9.8 FACTORS OTHER THAN DUMPING.....	32
9.9 CONCLUSION	32
10 CAUSAL LINK CLAIMS	34
10.1 BACKGROUND AND APPROACH TO CAUSAL LINK ANALYSIS.....	34
10.2 VOLUME EFFECTS	34
10.3 PRICE EFFECTS.....	35

PUBLIC RECORD

10.4 PROFIT AND PROFITABILITY	36
10.5 OTHER ECONOMIC FACTORS.....	36
10.6 INJURY CAUSED BY FACTORS OTHER THAN DUMPING	36
10.7 CONCLUSION	36
11 APPENDICES AND ATTACHMENTS.....	37

1 INTRODUCTION

On 13 February 2020, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated *Continuation Inquiry No.543* into aluminium extrusions exported to Australia from the People's Republic of China (China). The initiation of the inquiry followed consideration of an application received from Capral Limited (Capral), a member of the Australian industry producing like goods. Anti-Dumping Notice (ADN) No. 2020/017 provides further information on the inquiry.

On 24 February 2020, the Commissioner initiated the following two investigations in relation to two separate applications seeking the imposition of anti-dumping measures on aluminium extrusions exported to Australia from Malaysia.

- *Anti-Dumping Investigation No.540* (mill finished extrusions only)
- *Anti-Dumping Investigation No.541* (surface finished extrusions - excluding mill finish)

The initiation of both investigations followed consideration of applications received from Capral. ADN Nos. 2020/018 and 2020/019 provide further information in relation to each investigation.

This verification report has been prepared to detail the verification of Capral's like goods sales and production cost information relevant to the inquiry and the investigations and to undertake an assessment of Capral's economic condition in the period from 1 January 2016 in relation to Investigations 540 and 541.

The notices relating to the initiation of the inquiry in relation to China and the investigations in relation to Malaysia are available on the Anti-Dumping Commission's (the Commission's) electronic public record (EPR) at www.industry.gov.au.

2 COMPANY BACKGROUND

2.1 Corporate Structure and Ownership

Capral is an Australian company listed on the Australian Stock Exchange (ASX: CAA).

Capral's manufacturing operations primarily comprise five extrusion plants which are located in New South Wales, Queensland, Victoria, South Australia and Western Australia. For the purpose of this verification, a verification team visited Capral's Penrith facility in the western suburbs of Sydney where the aluminium extrusion production process at different stages was observed. Capral's Penrith operation is used to produce and pack mill finished extrusions. The manufacturing processes observed were limited to that finish type. The verification of Capral's sales and production cost information was undertaken at its head office at Parramatta in Sydney.

Notwithstanding that the scope of Capral's Penrith site is limited to the production of mill finished like goods, the Commission has visited Capral's Bremer Park manufacturing operations at Ipswich in Queensland for prior investigations.¹ Capral's Bremer Park site includes several significant production processes that, in addition to the extrusion process itself, also includes painting and anodising facilities. The information available to the Commission through prior investigations has been used to augment the information relied on in this verification report.

Capral also 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 sectors. Capral also distributes a range of rolled aluminium products and hardware products that are complimentary to its aluminium extrusion products.

2.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of like goods.

Capral advised that it has used third party organisations to perform certain surface finishing processes and apply them to its mill finished like goods production output. The verification team found no evidence that Capral is related to any of these third party finishers.

In relation to suppliers and customers, the available information satisfied the verification team that Capral was not related to those entities.

¹ Investigation No. 362 and 442.

3 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

3.1 Manufacturing in Australia

At section A-3.9, on page 13 of its application, Capral cites seven other Australian industry members who are considered to be producers of like goods. Within this group, Capral is the largest domestic manufacturer of aluminium extrusions and makes up a major proportion of the total Australian industry for aluminium extrusions. This proportion comprises significantly in excess of 25 per cent of the industry manufacturing like goods in Australia.

In addition to the production of aluminium extrusions, in the form of extrusion press capability, the Australian like goods producers possess anodising and powder coating capabilities. A sub-group of entities support the aluminium extrusion producers by providing anodising and powder coating services and supply the market with the relevant raw materials for those purposes.

Unlike extrusion manufacturers in other countries, the Australian industry does not possess re-melt facilities in order to produce its own billet requirements. As a result, the Australian industry producing like goods is further supported by the broader aluminium industry through its production of aluminium billet which is sourced from a mixture of suppliers, both in Australia and overseas.

3.1.1 Production process

The production of aluminium extrusions starts with the aluminium billets, otherwise referred to as 'logs', being taken from a storage yard facility and pre-heated in a furnace to the necessary temperature required for the extrusion process. Once pre-heated, the logs are cut into shorter lengths with a hydraulic shear and transferred into the extrusion press.

Once the extrusions exit the extrusion press, they undergo a stretching operation before entering a gas fired furnace to age the material and achieve the desired temper. At the conclusion of this stage of the process, the product is classified as a mill finished like good. Depending on production orders, the extrusions are sent to be anodised, painted or subject to minor working. Once the items are produced to the necessary specification, they are packed and dispatched to the customer.

The most obvious by-product of the extrusion production process is scrap aluminium. Scrap aluminium is mainly generated at the pressing stage, due to the limitations of log usage at that stage, which restricts 100 per cent utilisation of the log. The residual material volume that is generated is not useable and must be scrapped. The rate of scrap is known to vary across the industry. However, according to Capral's explanation during the visit, the generation of scrap would appear to be inherent in the production of extrusions and, therefore, unavoidable.

Scrap is also generated at various other points in the lifecycle of the extrusion production process as a result of defects. It can also arise due to quality issues which cause a small proportion of goods to be returned by customers.

3.2 Like goods

Like goods are defined under section 269T(1) of the *Customs Act 1901* (the Act)² 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 the case of Investigation 540, the goods under consideration exported to Australia relate to 'mill finished' extrusions. Whereas in Investigation 541, the goods under consideration exported to Australia relate to 'surface finished' extrusions.

The verification team considers that the goods manufactured by Capral are identical to, or have characteristics closely resembling, the goods under consideration exported to Australia in relation to Investigation 540 and Investigation 541, on the basis of the following:

- the aluminium extrusions produced by Capral are considered to be physically alike to the goods relevant to Investigation 540 and 541, as they have the same (or similar) dimensions and are made of aluminium alloys, as specified in the goods descriptions. Also, they are produced with the same or similar surface finishes, i.e. mill, painted and anodised;
- the aluminium extrusions, both mill finished and surface finished, produced by Capral are manufactured using processes that are identical to or closely resembling to the processes used to produce the goods relevant to Investigation 540 and Investigation 541;
- aluminium extrusions, both mill finished and surface finished, sold by Capral on the Australian market are considered commercially alike to the goods relevant to Investigation 540 and 541. This is because they are sold into the same market sectors, e.g. building and construction, renewable energy (solar), compete at the same levels of trade and to the same customers, e.g. direct to end-users or via distribution sales channel. Capral's like goods and the goods relevant to Investigation 540 and 541 are sold on similar commercial terms with respect to price setting and other market references, e.g. London Metal Exchange (LME) prices for primary aluminium;
- aluminium extrusions, both mill finished and surface finished, sold by Capral on the Australian market are considered functionally alike to the goods relevant to Investigation 540 and 541, as they have similar or identical end uses, e.g. these goods are used by manufacturers of aluminium window and door systems and solar panel installations.

² References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

3.3 Verification of MCCs

Capral’s applications for mill finished and surfaced finished goods from Malaysia suggested a model control code (MCC) based on categories which included surface finish, alloy and temper. Specific information regarding the sub-categories for each category were not provided by Capral in its application. However based on previous cases conducted by the Commission in relation to aluminium extrusion exports, the following MCC structure has been developed for the investigations in relation to Malaysia and the inquiry in relation to China, ADN Nos. 2020/18, 2020/19 and 2020/17 refer.

Category	Sub-category		Sales data	Cost data
Finish	A	Anodise	Mandatory	Mandatory
	BD	Bright dip		
	M	Mill		
	PC	Powder coating		
	MC	Mechanical		
Alloy code	6A	6060, 6063	Mandatory	Optional
	6B	6106		
	6C	6101, 1350, 6082, 6351, 6061		
	6D	6005A		
	O	Other*		
Temper code	T1	T1, T4, T5, T6	Optional	Optional
	T50	T591, T595, T52		
	O	Other*		
Anodising microns	0	Not anodised	Optional	Optional
	1	<20µm		
	2	>20µm		

Table 1 – MCC Structure

Capral’s data for sales of like goods during the investigation period, provided all product specification data. Relying on Capral’s like goods sales data, the MCC structure shown in Table 1 could be applied.

In relation to Capral’s cost of production data, it reported costs by finish type only. As this is the only mandatory category for costs, the verification team considers Capral’s approach was acceptable.

In order to verify the accuracy of the MCC sub-categories applied to Capral’s like goods sales, the verification team compared the data reported in relation to product description to a selection of sample invoices nominated for examination. The verification team found that the MCC structure had been correctly mapped to each sales transaction.

To verify the accuracy of the MCC sub-category applied to Capral’s like goods production figures, the verification team has had regard to a selection of production records to ascertain the specification of extrusion which had been produced.

PUBLIC RECORD

Capral sold like goods with the following MCCs during the investigation period:

Mill Finish	Painted	Anodised
M-6A-O-0	PC-6A-O-0	A-6A-T1-1
M-6A-T1-0	PC-6A-T1-0	A-6A-T1-2
M-6A-T50-0	PC-6A-T50-0	A-6B-T1-1
M-6B-T1-0	PC-6B-T1-0	A-6B-T1-2
M-6B-T50-0	PC-6C-O-0	A-6C-T1-2
M-6C-O-0	PC-6C-T1-0	
M-6C-T1-0	PC-6D-T1-0	
M-6D-O-0	PC-O-T1-0	
M-6D-T1-0		
M-O-O-0		
M-O-T1-0		

Table 2 – Capral MCCs

3.4 Preliminary like goods assessment

The verification team is satisfied that, in relation to the goods relevant to Investigations 540 and 541:

- mill finished and surfaced finished aluminium extrusions manufactured by Capral are like to the goods under consideration (GUC);³
- at least one substantial process of manufacture of mill finished and surface finished aluminium extrusions is carried out in Australia;⁴
- mill finished and surfaced finished aluminium extrusions were wholly or partly manufactured in Australia by Capral;⁵ and
- there is an Australian industry, consisting of Capral and several other entities, which produce goods that are like to the GUC exported to Australia.⁶

³ Section 269T(1).

⁴ Section 269T(3).

⁵ Section 269T(2).

⁶ Section 269T(4).

4 AUSTRALIAN MARKET

4.1 Background

The Australian market for aluminium extrusions is supplied by domestic aluminium producers such as Capral, and the seven other entities referred to by Capral in its applications, who together represent the Australian industry. As well as aluminium extrusions producers from other countries who supply Australian customers directly or via Australian based intermediaries and distributors.

Imported aluminium extrusions on the Australian market are sourced from numerous countries, however, in recent years the highest volumes originate from China, Malaysia and Vietnam.

Anti-dumping measures are currently applicable to all imports from Vietnam and, with the exception of two exporters, all imports from China. In relation to Malaysia, with the exception of imports from six specific exporters, who are the subject of Investigations 540 and 541, imports from all other exporters are generally subject to both anti-dumping and countervailing measures. In 2019, the countervailing notice was revoked in relation to two exporters.

In discussions with Capral, the verification team established that in most circumstances customers are able to readily change supplier. Depending on the specific extrusion that is being purchased by customers, the ease with which this can occur will differ in terms of cost, lead time, tooling considerations and management of production quality.

4.2 Market structure

The market structure for like goods, both mill finished and surface finished, consists of:

- very large original equipment manufacturers (OEMs), such as large aluminium window manufacturers;
- distributors of aluminium extrusions;
- further finishers (e.g. anodisers, powder coat/painters); and
- fabricators.⁷

The groups listed above include a wide range of small to medium retail and trade end-users (including smaller fabricators, manufacturers and other users) who 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.

Capral advised that it considers that the main market segments are:

⁷ 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.

PUBLIC RECORD

- residential - including products such as windows and doors, security, internal fit out of showers and robes, external fit out, and fencing;
- commercial - including commercial windows and doors, internal and external fit out, and curtain walls; and
- industrial - including automotive, truck and trailer, rail, electrical, signage, marine, portable buildings and large industrial infrastructure.

4.2.1 Marketing and distribution

As mentioned in the prior section, like goods in both finish categories are produced for various markets within Australia. Capral produces and sells a generic range of extrusion profiles which are commonly referred to as 'geometrics' which are not specific to any particular application or customer. Capral will usually stock its regional distribution centres with an adequate supply of these types of extrusions and, where requested, will supply to order.

In addition to geometric profiles, Capral also produces extrusions to meet a given customer's specific design requirements. These types of extrusions are commonly sold directly to the customer via Capral's mill sales channel, however such goods are also dispatched through Capral's distribution centre network, where appropriate.

Alongside aluminium extrusions, Capral also markets a range of window and door systems that use its aluminium extrusion profiles and Capral also sells other complementary products, such as rolled aluminium.

An examination of the internet home pages of other Australian industry members also revealed product offerings similar to Capral where extrusion designs appear to be marketed for specific end uses and sold alongside complementary products, such as windows and doors, show screens, fencing and wardrobes. However, some Australian industry members appeared to be more focussed on specific parts of the supply chain or supply their own downstream business units, instead of servicing the market for extrusions directly.

Within the Australian industry the verification team understands that there are differing levels of geographic presence around Australia. Larger companies have Australia wide production and distribution assets, while smaller companies service particular geographic areas.

4.2.2 Supply

As stated earlier in the report, the Australian industry producing like goods sells directly to end users who transform the goods into products such as windows and doors, or for use in applications such as boat building and other residential situations. The Australian industry also caters for a large base of customers through its distribution centre networks. The ordering and lead time arrangements differ between customers and depend on the sales channel(s) through which like goods are sold.

In relation to Capral, the verification team ascertained that Capral's business in the sale of like goods was not generally secured by way of contractual arrangements.

PUBLIC RECORD

However, Capral does quote for work on major projects and maintains key customers through ongoing negotiations on prices.

4.2.3 Demand

Capral identifies three industry sectors into which it sell like goods:

- residential building - including the home renovation sub-sector;
- commercial building; and
- industrial - transport, marine and other industrial.

Out of the three industry sectors listed above, Capral's data indicated that key sectors included the residential and commercial building sectors.

Data provided by Capral in relation to sales volumes of like goods over the last six years illustrated a mild seasonal trend whereby sales in the second half of each calendar year were usually higher. The verification team considers this marginal change is likely attributed to the slow-down in economic activity experienced during the Australian Christmas and New Year holiday period.

In a presentation to the verification team, Capral cited that a key demand driver for sales of like goods is the residential building sector. Capral provided data for annual dwelling commencements in the period 2012 through to 2019. After peaking in 2016, the data indicated that the trend in annual dwelling commencements between 2016 and 2019 declined year on year, with 2019 being the lowest. The 2019 decline in dwelling commencements was most significant in the multi-residential high rise segment, and to a lesser extent, in the detached housing segment.

However, in other industry sectors, Capral provided data which indicated an increase in sales, e.g. in the transport sector the volume of truck and van builds exhibited an upward trend in the period 2016 to 2019. According to Capral's data, the volume of truck and van builds peaked in 2018 although in 2019 it regressed back to 2017 levels.

Capral also made reference to the current and future sources of like goods demand which included the defence, marine and renewable energy sectors, particularly in relation to solar panel framing systems.

4.3 Pricing

Capral explained that manufacturers mainly sell aluminium extrusions to the next level of trade (distributors and OEMs) based on a pricing formula which reflects the following elements:

1. the LME primary aluminium base price, plus
2. premiums (billet premiums and Major Japanese Port ("MJP") premium); plus
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).

PUBLIC RECORD

The difference between the combined sum of the LME metal price and premiums, and the selling price, is referred to in the industry as the 'spread'.

In addition, extrusion profiles made to a customer's specific requirements may require costs for tooling which could involve a separate upfront charge to the customer to cover the cost of producing the die or built into the price of the extrusions.

Capral explained during the verification visit that it seeks to remain competitive with other Australian and overseas suppliers by setting prices at levels which are desirable in the market place and consistent with the movement in the price for primary aluminium.

However, Capral also conceded that estimating the prices of aluminium extrusions sold by its competitors has become increasingly difficult, due to the relatively low level of transparency amongst market participants. As a result, its awareness of price in the market is generally via interactions with existing customers or other market intelligence that is publicly accessible/available

Capral also mentioned that price information contained in unsolicited offers from traders or aluminium extrusion mills located outside of Australia is increasingly being intercepted/received via email and social media platforms.

4.4 Market size

4.4.1 Initial Application Data

In Appendix A4 to question A-4.2 in each of its applications, Capral relied on the following to estimate the size of the Australian market for aluminium extrusions covered by the goods descriptions in its applications:

- its own sales data in relation to like goods;
- estimates of the sales volumes achieved by other Australian industry producers; and
- import data for aluminium extrusions sourced from the Australian Bureau of Statistics (ABS).

To estimate the size of the market specific to the finish type covered in each of its applications, the verification team understands that Capral used its own sales data as a proxy to work out the proportion of the market that was either mill finished or surface finished.

Having regard to Capral's estimation at section A-4.6 of its application, the Australian market for mill finished extrusions increased in the 2018/19 period⁸ by approximately seven percentage points in comparison to the 2015/16 base year. In contrast, the Australian market for surface finished extrusions decreased by almost nine

⁸ Based on an October to September year.

percentage points over the same period. The Australian market as whole was also considered to increase.

4.4.2 Verification assessment

The estimate of the Australian market size in Capral’s applications related to an anticipated injury analysis period from 1 October 2015 and investigation period of 1 October 2018 to 30 September 2019. For the purpose of considering its claims, the information in its applications was considered suitable.

However, investigations 540 and 541, and continuation inquiry 543, will be conducted based on an investigation period of 1 January 2019 to 31 December 2019 and an injury analysis period from 1 January 2016. The verification team has therefore undertaken an assessment of the Australian market on the basis of these revised dates.

The verification team’s assessment also incorporates information from the Australian Border Force (ABF) import database in relation to declarations of the goods classified under the tariff subheadings and statistical codes relevant to the goods that are the subject of each investigation. The data from the ABF was used instead of ABS data, as the ABS data is missing certain features/information, which make it less reliable than the ABF data. The ABF data is available to the Commission but is not available to Capral.

Despite ABF data being preferred over ABS data, ABF data does not contain the detail necessary to enable the verification team to accurately identify imports of the goods into Australia by the finish type covered by the goods description in investigation 540 and 541. Further, at this stage of the investigation, the Commission is not in receipt of the sales data relevant to the other members of the Australian industry, so that a similar and more accurate analysis by finish type can be undertaken. Data relating to sales of extrusions from entities who surface finish extrusions purchased from Australian mill is also not yet included.

Notwithstanding the current limitations that are present in estimating the size of the Australian market by finish type, the verification team can still undertake a whole of like goods analysis for all finish types with a reasonable degree of certainty. Shown in the table below is the variation in the index of the Australian market size for calendar years 2016 to 2019. The Australian market increased by five percentage points in 2019 compared to the base year of 2016. However the market shows almost no growth in the investigation period of 2019.

Period	2016	2017	2018	2019
Australian Market Size (kg)	100	101	104	105

Table 3 – Index of Australian Market Size Variation

Using Capral’s sales data as a proxy for the size of the Australian markets for mill finished and surface finished aluminium extrusions, the verification team has performed an updated analysis of the size of the Australian market by finish type in the table below.

PUBLIC RECORD

Period	2016	2017	2018	2019
Mill Finished	100	103	110	111
Surface Finished	100	99	93	94

Table 4 – Index of Australian Market Size Variation by finish type

The trend in the initial estimates in Capral’s applications regarding the variation in the Australian market size by finish type were also evident in the verification team’s updated analysis above at Table 4. As further information becomes available throughout the course of each investigation and inquiry 543, the assumptions underlying the market size analysis are likely to change.

4.5 Market share

In relation to the share of the Australian market held by Australian industry, despite the market having increased in the 2016 to 2019 period, albeit only by a relatively small amount, analysis of the Australian market by country of origin shows that the share of the Australian market for all finish types is increasingly comprised of aluminium extrusions from overseas. At the same time, the share of the market supplied by Australian aluminium extrusion producers has declined.

The change in the market share of goods imported from Vietnam and the category of all other countries is particularly pronounced in the 2018 to 2019 period. During the same period, imports from Malaysia exhibited a small increase whilst imports from China have reduced.

Period	2016	2017	2018	2019
Australia	100	98	92	89
Chinese	100	120	136	132
Malaysia	100	68	78	81
Vietnam	100	163	225	591
All other (including NZ)	100	94	88	105

Table 5 – Index of Australian Market Share Variation by origin

5 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data to management accounts and audited financial accounts. The total sales value and quantity is reconciled with management reports with particular attention given to ensuring that all relevant transactions are included and that any irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings for each investigation by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team verified the relevance and completeness of Capral's like goods sales data, by:

- comparing revenue for domestic like goods sales reported in Capral's applications at Appendix A3 and A4 with the accounts in its general ledger relevant to the investigation period and the injury analysis period;
- reconciling the figures for like goods sales revenue in its general ledger accounts with Capral's 2019 financial year audited financial statement⁹;
- examining revenue reported for sales of other products that were not relevant, e.g. rolled aluminium products;
- mapping the MCC structure to the like goods sales reported at Appendix A4 of Capral's applications to ensure like goods sales were within the scope of the description of the goods under consideration; and
- having regard to Capral's sales of goods to external customers and intra-company transactions relation to stock movements.

The verification team identified the issues set out below during this process. Details of this verification process are contained in the verification work program and the relevant attachments at **Confidential Attachment 1**.

5.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	Capral's sales data reported for the purpose of appendix A4 of its application was not a full representation of all like goods sales revenue and did not align with the investigation period.	Capral resubmitted its appendix A4 data to align with the correct investigation period and provided a supplementary appendix A4 in relation to like goods sold through its distribution sales channel.
2	Capral's sales data reported for the purpose of appendix A3 of its	Capral resubmitted its appendix A3 data which aligned with the correct injury

⁹ 30 December 2019

PUBLIC RECORD

No.	Exception	Resolution
	application was not a full representation of all like goods sales revenue and did not align with the injury analysis period.	analysis period and reported the correct like sales revenue and volume (by finish type) through each relevant sales channel.

Table 6 - Exceptions during verification of completeness and relevance of sales data

5.2 Import sales by applicant

Capral reported sales of like goods to the goods under consideration that were imported by Capral from suppliers overseas. These imported goods were reported separately from the Australian produced like goods sales. The verification team also compared the quantity of imported goods sales with information in the ABF import database and found the quantity which was imported corresponded with the sales quantities reported by Capral.

5.3 Export sales by applicant

Capral reported sales of like goods that were produced for its export markets. Sales of exported goods, which if sold on the Australian market would be considered like goods, were separately identified in its financial records.

5.4 Sales completeness and relevance finding

After making amendments to take account of the identified exceptions in the data provided by Capral in its applications, the verification team is satisfied that the sales data provided by Capral is complete and relevant. The like goods sales data relevant to the investigation period and injury period, as amended, is provided at **Confidential Appendices 1, 2 and 3.**

6 VERIFICATION OF SALES ACCURACY

The accuracy of the data is verified by reconciling selected data submitted by Capral "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team checked the accuracy of the Australian sales listings submitted by Capral by reconciling these to source documents in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

6.1 Related party customers

The verification team observed that Capral did not make sales to related party customers.

6.2 Sales accuracy finding

The verification team is satisfied that the data reported by Capral in relation to its sales of like goods is accurate.

Accordingly, the verification team considers Capral's sales data suitable for analysing the economic performance relevant to its sale and production of aluminium extrusions in the period 1 January 2016 to 31 December 2019.

7 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports, with particular attention given to ensuring that all relevant costs are included and irrelevant costs excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure, reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded (or should be) excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided by Capral for each investigation by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of Capral's cost data by:

- comparing the production costs reported in relation to like goods produced for the Australian market reported in Capral's applications at Appendix A6 with the accounts in its general ledger relevant to the investigation period and the injury analysis period;
- reconciling the figures for like goods production costs in Capral's general ledger accounts with the 2019 financial year audited financial statement;
- examining the cost accounts relevant to activities involved in the production of like goods by finish type; and
- having regard to sales of like goods to external customers and intra-company transactions in relation to stock movements.

The verification team the relevance and completeness of the SG&A data by:

- comparing the SG&A costs reported in relation to like goods sold on the Australian market reported in Capral's applications at Appendix A6 with the accounts in its general ledger relevant to the investigation period and the injury analysis period;
- reconciling the SG&A costs reported in relation to Capral's like goods sales the 2019 financial year audited financial statement; and
- having regard to activities that are relevant to the SG&A costs reported in relation to like goods sales.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

7.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
1	Capral's CTMS reported for the purpose of appendix A6 of its applications was not a full representation of all like goods sales revenue and did not align with the investigation period.	Capral resubmitted its appendix A6 data to align with the correct investigation period and provided a supplementary appendix A6 in relation to like goods sold through its distribution sales channel.
2	Capral's initial CTMS data reported for the purpose at appendix A6 of its applications did not report selling and distribution expenses incurred through its distribution sales channel.	The verification team revised Capral's appendix A6 data to include distribution sales channel selling and distribution costs.

Table 7 - Exceptions during verification of completeness and relevance of CTMS data

7.2 CTMS completeness and relevance finding

After making amendments to take account of the identified exceptions in the data provided by Capral in its applications, the verification team is satisfied that the CTMS data provided by Capral is complete and relevant.

Capral's CTMS data is at **Confidential Appendix 4**.

8 VERIFICATION OF CTMS ACCURACY

8.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

Table 8 below sets out the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Actual costs of material consumed, as recorded in the relevant general ledger accounts, allocated by production quantity in kilograms.
Scrap Allocation	Actual costs of scrap allocated by production quantity in kilograms.
Manufacturing Overheads	Actual costs, as recorded in the relevant general ledger accounts, of production activity or cost item allocated by production quantity in kilograms and cost centre, e.g. those related to specific finish type.
Labour	Actual costs, as recorded in the relevant general ledger accounts, allocated by production quantity in kilograms and cost centre.
Depreciation	Actual cost, as recorded in the relevant general ledger accounts, allocated by production quantity in kilograms and cost centre.

Table 8 - Cost calculation method

8.2 Exceptions during verification of CTMS allocation method

The verification team identified the issues outlined below during this process.

No.	Exception	Resolution
1	SG&A costs incurred in relation to sales via the distribution sales channel were not initially allocated by Capral in appendix A6 of its application.	Identifying SG&A costs relevant to Capral's distribution functions and allocating those costs by sales revenue.

Table 9 - Exceptions during verification of CTMS allocation method

8.3 Verification of accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information for each investigation by reconciling it with source documents in accordance with ADN No. 2016/30.

PUBLIC RECORD

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

8.4 Related party suppliers

During an examination of the data relating to Capral production cost records, particularly in relation to raw material purchasing records, the verification team ascertained that Capral does not source raw materials from related parties.

8.5 Cost to make and sell verification finding

The verification team is satisfied that the data reported by Capral in relation to its production of like goods is accurate. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

Accordingly, the verification team considers Capral's production cost data is suitable for analysing the economic performance relevant to its sales and production of mill finished and surfaced finished like goods in the period 1 January 2016 to 31 December 2019.

9 ECONOMIC CONDITION

9.1 Applicant's injury claims

In both of its application's relating to mill finished and surface finished goods exported from Malaysia, Capral claimed that it has been injured in relation to the following economic factors:

- reduced sales volume;
- reduced market share;
- price suppression;
- price depression;
- reduced profit and profitability;
- reduced revenues;
- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced wages.

9.2 Approach to injury analysis

Consideration Report No. 540 and 541 contained the Commission's consideration of Capral's claims in relation to both applications.

Pursuant to section 269TC(1)(c) of the Act, and having regard to the matters contained in both of Capral's applications, and to other information considered relevant, the Commission considered that there appeared to be reasonable grounds to support Capral's claims that it had experienced injury in the form of:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- loss of profit; and
- reduced profitability.

In relation to the following economic factors, the Commission put aside its assessment of the claims in Capral's applications, on account that the data available at that time required further consideration during the course of the investigations:

- reduced return on investment (ROI);
- reduced capacity utilisation;
- reduced employment; and
- reduced wages.

In the analysis of volume and market share in relation to both investigations, the verification team has used data provided by Capral in respect of its own sales, its estimates relating to other Australian producers and data sourced by the verification team from the ABF import database.

PUBLIC RECORD

The analysis of other economic factors is based on information provided by Capral in relation to mill finished and surface finished like goods, as amended, to account for exceptions identified during the verification process.

The information presented in the following sections, therefore, represents a revised version of the data contained in Capral's applications on account of the corrections that were required to address the exceptions identified at sections 5.1, 7.1 and 8.2.

9.3 Commencement of injury, and analysis period

Capral's applications in relation to both mill finished and surface finished exports to Australia both state at section A-8.1 that Capral experienced injury from the allegedly dumped exports from Malaysia 2018. Capral further stated that the material injury from the allegedly dumped exports became noticeably apparent in Capral's profit and profitability in the 12 month period ending 30 September 2019.

The injury analysis period being considered for the purpose of both Investigations 540 and 541, and Inquiry 543, is from 1 January 2016.

9.4 Volume effects

9.4.1 Sales volume

Table 10 below shows the trend in Capral's like goods sales volume in the injury analysis period. Capral's data indicates that since 2016 it has experienced a reduction in sales volume in each consecutive year for all finished of like goods generally and with respect to each finish type.

Like Goods	2016	2017	2018	2019
Mill Finished	100	99	97	90
Surface Finished	100	96	82	76
All Finishes	100	98	92	85

Table 10 – Capral Like Goods Index of Sales Volume Variation

In contrast to the above, the estimated trend in the Australian market set out at Table 11 suggests growth in the mill finished market and a moderate decline in surfaced finished goods. The net effect resulted in only marginal growth in the market generally.

Period	2016	2017	2018	2019
Mill Finished	100	103	110	111
Surface Finished	100	99	93	94
All finishes	100	101	104	105

Table 11 – Index of Australian Market Size Variation by finish type

9.4.2 Market share

On the basis that market data based on finish type is not available in relation to other Australian producers and cannot be identified within the ABF import data, the

PUBLIC RECORD

verification team is unable to accurately ascertain Capral's economic performance with respect to market share by finish type.

However, from the perspective of all like goods, Table 12 below shows that the market share of sales held by Australian industry has decreased in each consecutive year of the injury analysis period.

Country of Origin	2016	2017	2018	2019
Australia	100	98	92	89
Imports (all source countries)	100	104	115	121
China	100	119	136	131
Malaysia	100	67	78	81
Vietnam	100	163	224	588
All other (including NZ)	100	93	88	104

Table 12 – Index of Australian Market Share Variation by origin

When the market share data in Table 12 is contrasted with the declining trend shown in Capral's sales volumes at Table 10 the verification team consider it reasonable that Capral has experienced injury in the form of a reduced market share in its sales of mill finished and surface finished like goods.

9.4.3 Conclusion – volume effects

Based on the available information, the verification team considers it reasonable that Capral and the broader Australian industry has experienced injury in the form of reduced sales volume and reduced market share with respect to:

- mill finished aluminium extrusions; and
- surface finished aluminium extrusions.

9.5 Price effects

9.5.1 Like Goods Unit Selling Price

Table 13 below shows the index of unit selling price variation based on the sales data as amended by the exceptions identified at section 5.1.

Like Goods	2016	2017	2018	2019
Mill Finished	100	107	115	112
Surface Finished	100	105	113	113
All Finishes	100	106	113	111

Table 13 - Like Goods Index Unit Selling price variation

9.5.2 Price depression

Price depression occurs when a company/firm lowers its prices more significantly than it otherwise would in a competitive market due to an external force (for

example, a recession in the market or oversupply of a particular product/good) or other factors beyond the firm’s control.

In relation to price depression, the variation in selling prices at Table 13 shows that Capral’s price for mill finished like goods generally increased up to 2018, although it began to decrease in 2019. The price variation for surface finished like goods was similar, with the exception that prices remained flat into 2019. On the basis of these observations, price depression in relation to mill finished like goods appears to have occurred. However for surface finished like goods price depression is not necessarily evident.

9.5.3 Price suppression

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

To assess whether Capral has experienced injury in the form of price suppression, the verification team has had regard to Capral’s selling prices and CTMS.

The verification team has examined the relationship between Capral’s prices and CTMS levels. Table 14 and Table 15 show the comparison between the index of variation in unit CTMS and unit selling price over the injury analysis period by finish type.

Mill Finish	2016	2017	2018	2019
CTMS	100	107	116	116
Selling Price	100	107	115	112

Table 14 – Mill Finish Index of CTMS and Price Variation

Surface Finished	2016	2017	2018	2019
CTMS	100	107	117	120
Selling Price	100	105	113	113

Table 15 - Surface Finished Index of CTMS and Price Variation

Having regard to the relationship between the trends in the data in the tables above, the verification team makes the following observations:

- up until 2018, the rate of increase in the prices for mill finished and surface finished like goods was less than the rate of increase in CTMS;
- the CTMS for mill finished like goods in 2019 remained the same as 2018, however prices for mill finished like goods in 2019 declined; and
- the price of surface finished like goods in 2018 and 2019 was unchanged, despite an increasing CTMS.

Figure 1 below illustrates the relationship between cost and price for mill finished and surface finished like goods in absolute terms. In relation to its sales of mill finished like goods, Capral suffered increasing losses from 2018 to 2019. Sales of surface finished like goods have remained profitable, although in 2019 profitability appears to have become marginal.

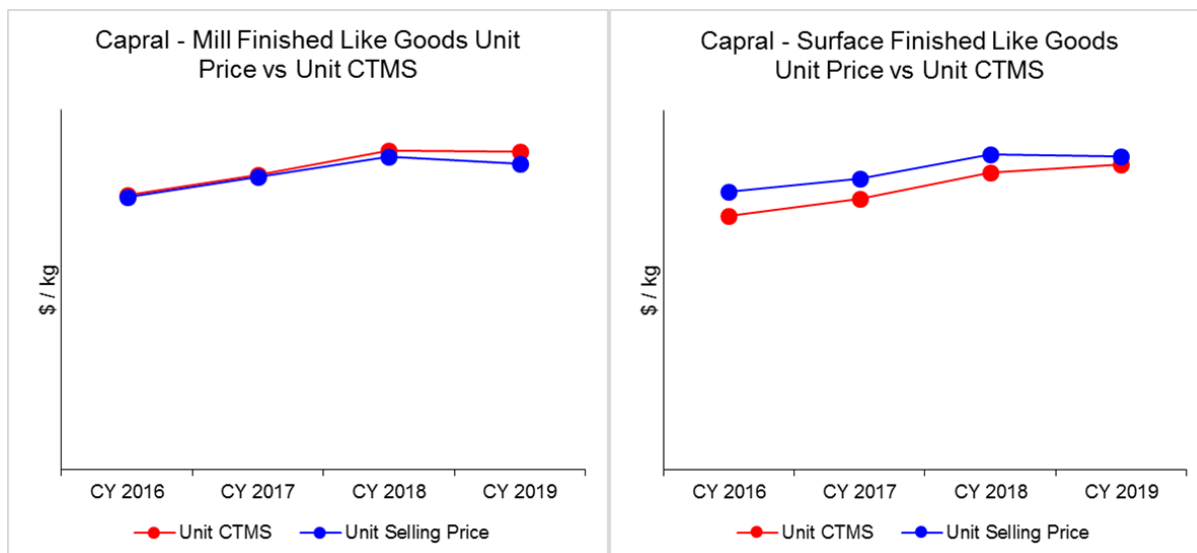


Figure 1 - Capral Mill and Surface Finish Price and CTMS Comparison

The verification team considers that Capral was prevented from raising its prices to recover increasing costs, such as the cost of metal. As a result it is reasonable to conclude that Capral has suffered injury in the form of price suppression.

9.5.4 Conclusion – price effects

Having regard to the available information, the verification team considers it reasonable to conclude that Capral has experienced injury in the form of price suppression in relation to its production and sale of:

- mill finished aluminium extrusions; and
- surface finished aluminium extrusions.

However, price depression was evident in relation to mill finished like goods only.

9.6 Profit and profitability

9.6.1 Like Goods Unit Profit Margin

Table 16 shows that Capral experienced a decline in unit profit margin each year throughout the injury analysis period, with the most pronounced decline in 2019.

Like Goods	2016	2017	2018	2019
Mill Finished	100	82	0	-93
Surface Finished	100	83	75	29

Table 16 - Like Goods Index of Unit Profit Margin Variation

9.6.2 Like Goods Unit Profitability

Table 16 shows that Capral experienced a decline in unit profitability, measured as the ratio of unit profit margin and unit selling price, in each year throughout the injury analysis period, with the most pronounced decline in 2019.

PUBLIC RECORD

Like Goods	2016	2017	2018	2019
Mill Finished	100	77	0	-83
Surface Finished	100	79	66	26

Table 17 - Like Goods Index of Profitability Variation

9.6.3 Conclusion – profit and profitability

Figure 2 below plots the movement in profit and unit profitability of Capral’s sales of mill finished and surface finished like goods in absolute terms.

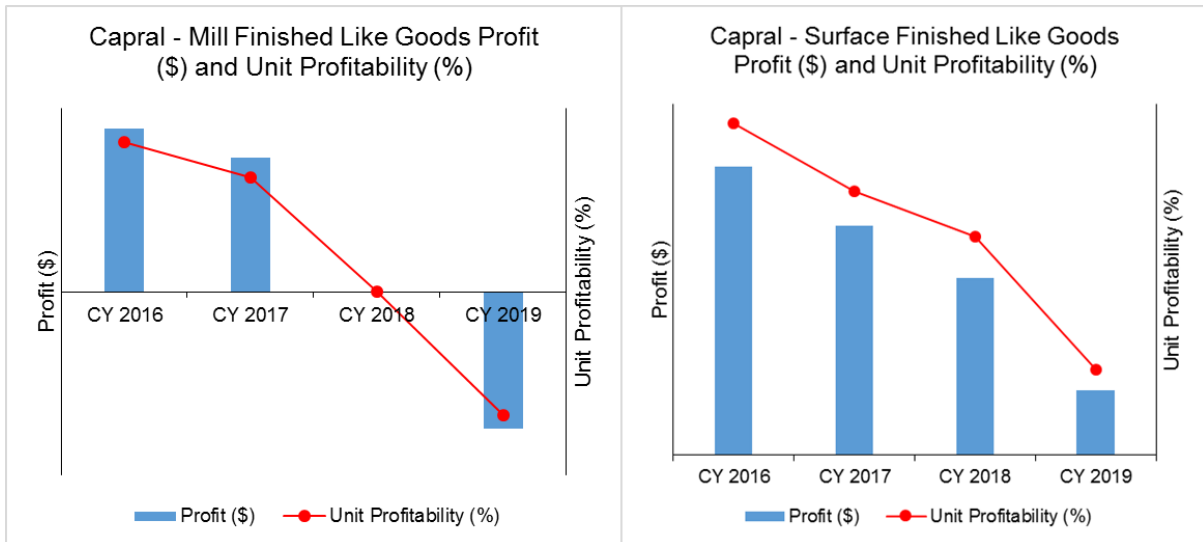


Figure 2 - Capral Mill and Surface Finish Like Goods Profit and Profitability

Based on the available information, the verification team considers it reasonable that Capral has experienced injury in the form of reduced profit and profitability in relation to mill finished and surface finished like goods.

9.7 Other economic factors

9.7.1 Production Volume

Table 18 shows that Capral experienced a decline in the production volume, based on packed tonnes, of mill finished and surface finished like goods sales.

Like Goods	2016	2017	2018	2019
Mill Finish	100	100	97	90
Surface Finished	100	93	78	70

Table 18 – Like Goods Index of Production Volume Variation

9.7.2 Revenue

Table 19 shows that Capral experienced mixed revenue results in relation to mill finished and surface finished like goods sales.

PUBLIC RECORD

Like Goods	2016	2017	2018	2019
Mill Finish	100	107	111	101
Surface Finished	100	100	93	86

Table 19 – Like Goods Index of Sales Revenue Variation

With respect to mill finished like goods, the verification team found that the revenue increases up to 2018 were more a function of increasing unit selling prices, rather than larger sales volumes. Despite the trend up to 2018, revenues in 2019 fell sharply back to 2016 levels, despite the variation in prices in 2019 being 12 per cent higher than 2016 prices. The decline in 2019 appears to be due to the combined effect of a fall in prices and the continued fall in the sales volume of mill finished like goods.

In contrast, surface finished like goods sales revenue declined in each year of the injury analysis period, with the 2019 level representing a four year low. The deteriorating revenue result up to 2018 occurred at a time when prices were increasing. This trend is therefore considered to be a reflection of the continued reduction in sales volume of surface finished like goods up to that point. The revenue result for surface finished like goods in 2019 was again found to be due to a fall in sales volumes, rather than a reduction in prices.

Based on the available information, the verification team considers it reasonable that Capral has experienced injury in the form of reduced sales revenue in relation to both mill finished and surface finished like goods and this injury was likely due to the combined effects of selling prices and declining sales volumes.

9.7.3 Return on investment

The ROI presented in Capral's applications was based on profit earned on like goods sales and the value of assets deployed in the production of like goods.

However, the verification team noted at verification that the value of assets was representative of all assets and did not reflect those assets specific to the production of each finish type. Further, since certain production assets are common across finish types, working out an asset value based ROI for each finish type was not considered to be a reliable.

It was agreed during the verification visit that a suitable alternative to ROI was a similar metric using the Return on Sales (RoS) approach as the inputs into this calculation can be identified by finish. Specifically, the RoS formula compared operating profit, expressed as Earnings Before Interest and Tax (EBITA), and net sales revenue.

The index of ROS variation figures are presented below at Table 20.

PUBLIC RECORD

Like Goods	2016	2017	2018	2019
Mill Finish	100	87	61	39
Surface Finished	100	80	67	29

Table 20 - Like Goods Index of ROI Variation

The figures above for mill finish and surface finished like goods suggest that Capral experienced a decline in ROS in each year throughout the injury analysis period, with the most pronounced decline in 2019.

9.7.4 Capacity Utilisation

Table 21 below shows that, with the exception of 2017, Capral has experienced a decline in the capacity utilisation of its production assets used to manufacture aluminium extrusions.

Like Goods	2016	2017	2018	2019
Mill finish	100	98	91	84

Table 21 - Like Goods Index of Capacity Utilisation Variation

The table above, which relates to those assets used to produce mill finish extrusions, show that Capral has experienced a decline of its capacity utilisation during the injury period. Measuring the same metric for surface finished like goods was more difficult as the production capacity of the assets used to produce painted and anodised goods is not easily measured.

Notwithstanding the limitations in measuring capacity utilisation for surface finished like goods, the verification team has relied on the production volume data below at Table 22 to assess whether Capral has experienced capacity utilisation injury in relation to surface finished like goods.

Like Goods	2016	2017	2018	2019
Surface Finished	100	93	78	70

Table 22 – Surface Finished Like Goods Index of Production Volume Variation

Up until mid-2019 Capral's surface finished production assets were relatively unchanged. Given this is the case, the decline in surface finished like goods production volumes indicated by the figures in Table 22 are an indicator that the capacity utilisation of the assets used to produce surface finished like goods has declined.

9.7.5 Employment numbers

Table 23 below shows that, with the exception of 2017, Capral has experienced a decline in its workforce employed in the production of aluminium extrusions. The verification team notes that the figures shown below relate to the whole of like goods production, e.g. combined mill and surface finished.

PUBLIC RECORD

Like Goods	2016	2017	2018	2019
All finishes	100	101	94	81

Table 23 - Like Goods Index of Employment Numbers Variation

As part of the verification process, it was established that in mid-2019 Capral de-commissioned its entire anodising facility and one paint line which were used to produce surface finished like goods. It also shut down one extrusion press and related support functions which were used to produce mill finish like goods. The verification team notes that the paint line that was closed follows the installation of a “new cutting edge, vertical cube powder coat line” in the 18 month period preceding Capral’s applications.¹⁰

As a result of the changes to its manufacturing operations, particularly in relation to mill finish and anodised extrusions, Capral was required to undertake a restructuring program which led to the permanent loss of staff.

The verification team therefore considers it reasonable that Capral has suffered injury in the form of reduced employment numbers in relation to both mill finished and surface finished like goods.

9.7.6 Wages

The verification team ascertained that Capral’s wage bill in relation to like goods production has declined. This outcome is consistent with the actions taken by Capral in mid-2019 whereby it was required to reduce its workforce in response to what it stated were more challenging market conditions.

Whilst Capral was unable to provide precise wages figures relevant to mill finished and surface finished like goods, the verification team considers it reasonable that Capral’s description of the changes to its manufacturing operations, i.e. closure of anodising and paint line and one extrusion press, and the verification team’s examination of Capral’s production cost accounts, are sufficient to conclude that Capral has experienced injury in the form of reduced wages for both mill finished and surface finished like goods.

9.7.7 Conclusion – other economic factors

Based on the available information relating to other economic factors, the verification team considers it reasonable that Capral has experienced injury in the form of:

- reduced sales revenue;
- reduced ROI;
- reduced capacity utilisation
- reduced employment numbers; and
- reduced wages.

¹⁰ Capral Application, p.33, Case 541 Public Record Item No.001

9.8 Factors other than dumping

The following factors other than dumping were identified during verification as possibly having an impact on the economic condition of the Australian industry producing like goods:

- Australian building construction; and
- imports from other countries.

9.8.1 Australian building construction

As detailed in section 4.2.3 above, Capral cited that a key demand driver for sales of like goods is the residential building sector. Data provided by Capral for annual dwelling commencements in the period 2012 through 2019 indicated that the trend in annual dwelling commencements between 2016 and 2019 declined year on year after peaking in 2016, with 2019 being the lowest.

9.8.2 Imports from other countries

As detailed below in Table 24, imports from countries other than Malaysia have increased over the injury analysis period.

Country of Origin	2016	2017	2018	2019
China	100	121	141	138
Malaysia	100	68	81	85
Vietnam	100	165	233	619
New Zealand	100	91	101	84
All other countries	100	97	86	126

Table 24 – Index of Import Volume Variation by origin

The impact of these imports on the Australian industry will be considered during the conduct of the investigations.

9.9 Conclusion

Based on an analysis of the information contained in each of Capral's applications with respect to mill finished and surface finished like goods and the data subject to verification, the verification team considers that Capral has experienced injury in the form of:

- reduced sales volume;
- reduced market share;
- price suppression;
- reduced profit and profitability;
- reduced revenue;
- reduced ROS;

PUBLIC RECORD

- reduced capacity utilisation.
- reduced employment numbers; and
- reduced wages.

In relation to injury in the form of price depression, the verification team considers this has occurred in relation to mill finished like goods only.

10 CAUSAL LINK CLAIMS

10.1 Background and approach to causal link analysis

The verification team discussed with Capral whether the alleged dumping of imported mill finished and surface finished goods from Malaysia can be demonstrated to be causing material injury to the Australian industry.

The verification team also examined factors other than dumping to consider whether these may be causing injury.

Under section 269TG of the Act, one of the matters that the Minister must be satisfied of in order to publish a dumping duty notice is that material injury to an Australian industry producing like goods has been (or is being) caused or is threatened.

Accordingly, the verification team sought Capral's views on these matters.

10.2 Volume effects

Capral's applications in relation to mill finished and surface finished exports to Australia attribute the injury it experienced in the form of reduced sales volume and market share to the increase in exports from the Malaysian exporters, the subject of the applications, whose exports are not currently subject to anti-dumping measures.

At section A-4.6 in each of its applications, Capral estimated that the variation in the volume of allegedly dumped imports of mill finished goods from Malaysia in 2019 represented an increase of 29 per cent compared to 2016. The increase in surface finished goods was less, at about two percent.

Notwithstanding the limitations discussed at section 4.4.2 in relying on data obtained from the ABF import database in relation to the Malaysian exporters subject to Capral's applications, Table 25 shows the index of variation in import volumes and the Australian market share of those imports.

Malaysian Imports (Subject)	2016	2017	2018	2019
Volume	100	82	104	111
Australian Market Share	100	82	100	106

Table 25 – Index of Import Volume Variation

The trend in the ABF data relied on by the verification team appears to support the claims in Capral's applications that combined imports from the exporters (the subject of both investigations) have increased, and the market share of those imports has also increased.

Additionally, the verification team was also able to validate, to a certain extent, the specific claims in Capral's applications at section A-9.2 in relation to certain customer case studies. The verification team identified that, with the exception of one particular customer, the customers cited by Capral in the case studies were importing aluminium extrusions from subject exporters during the investigation period

and in some cases the volume imported by those customers had increased. However, in relation to the finish type which those imports may have related to, additional information in the form of exporter and importer questionnaire responses is required.

10.3 Price effects

At section A-9.6 in both of Capral’s applications it highlights that in the 2018/19 period, Capral considers that the Malaysian exporters that are not the subject of measures have been the influencing factor in the determination of final selling prices on the Australian market. It is Capral’s view that the impact of the selling prices at dumped levels represents the largest influencing factor of domestic selling price in Australia.

In support of its applications Capral provided information based on data from the ABS in relation to FOB export prices for aluminium extrusions exported from China and Malaysia for the period January 2006 to July 2019. The information provided by Capral indicated that the price of Malaysian goods was lower than goods from China.

Based on data obtained from the ABF import database, Table 26 below shows the variation in the weighted average FOB price in Australian dollars for all aluminium extrusion finishes exported from Malaysia by the subject exporters over the injury analysis period.

Country of Origin	2016	2017	2018	2019
Malaysia	100	102	110	110

Table 26 – Index of FOB Export Price (\$AUD) Variation

The verification team’s analysis of export prices sourced from the ABF import database indicates that export prices for imports from Malaysia increased up to 2018 and remained at a similar level into 2019. In relation to the FOB price observations in Capral’s application, the verification team examined the monthly weighted average prices of goods exported from Malaysia and China based on data from the ABF database. The verification team observed that in the investigation period and the year prior, FOB prices for goods from Malaysia were lower than goods from China, although not in every month.¹¹

Similar to the commentary above in relation to volume effects, the verification team examined the ABF data in relation to the customers cited in the case studies in each of Capral’s applications. Whilst the ABF data is not useful for analysing imports by finish type, the verification team did at least observe that the price paid by some of the entities cited by Capral has reduced. Considering that those same entities also trade with Capral, its claims regarding price competition with Malaysian exporters appear to have merit.

¹¹ For the purpose of this report, the verification team has analysed data to the extent that it relates to Capral specific claim. However, the prices for goods from other countries will be a relevant consideration for the case team further into the investigation.

10.4 Profit and profitability

In the confidential versions of Capral's applications in relation to mill finished and surface finished goods exported from Malaysia, Capral sets out various metrics relating to the profit of its aluminium extrusions sales to support its claims that its profits were impacted by price offers for goods sourced from Malaysian exporters that are not subject to measures.

From a factual standpoint, some of the figures relating to the profit claims in Capral's applications are now less relevant for the following reasons:

- the investigation period and injury analysis period set for the investigation is not aligned with Capral's applications; and
- corrections were made by the verification team to address the exceptions identified in Capral's sales and cost information.

Despite the above points, the general trends and features cited in Capral's applications in relation to profit are evident in the analysis of its revised data at section 9.5. The verification team considers that the available information suggests support for Capral's claims that it has experienced reduced profit margins brought about by price reductions, arising from its response to the price of imported goods.

10.5 Other Economic factors

Injury in the form of the other economic factors examined at section 9.7 was largely considered to be a result of the combined effects of volume and price injury.

10.6 Injury caused by factors other than dumping

Capral acknowledged factors such as the increase in raw material costs for aluminium and fluctuations in the Australian building and construction sector were relevant factors other than dumping that impacted on its economic condition. However it was also of the view that the challenges brought about by these factors could be overcome to a greater degree in the absence of injury caused by dumping of goods on the Australian market.

10.7 Conclusion

It is not the purpose of this verification report to make conclusions or findings in relation to the causal link between injury and allegedly dumped imports from Malaysia. However, consideration of the available information and Capral's verified cost and sales data was found to correspond with the claims in its applications.

11 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Capral Like Goods Sales – Injury Period
Confidential Appendix 2	Capral Like Goods Sales (Mill Channel)
Confidential Appendix 3	Capral Like Goods Sales (Distribution Channel)
Confidential Appendix 4	CTMS, Price and Profit Injury Analysis