



Customs Act 1901 Part XVB

Consideration report number: 542

Application for a dumping duty notice

Submitted by Aluminium Shapemakers Pty Ltd

In relation to aluminium micro-extrusions exported to Australia from
the People's Republic of China

by Guangdong Jiangsheng Aluminium Co Ltd and
Guangdong Zhongya Aluminium Co Ltd

6 February 2020

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ABBREVIATIONS

Abbreviations/short form	Full reference
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
the Act	<i>Customs Act 1901</i>
AluShapes	Aluminium Shapemakers Pty Ltd
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
the Direction	<i>Ministerial Direction on Material Injury 2012</i>
FOB	Free on Board
FY	financial year
Guangdong Jiangsheng	Guangdong Jiangsheng Aluminium Co Ltd
Guangdong Zhongya	Guangdong Zhongya Aluminium Co Ltd
the goods	aluminium micro-extrusions the subject of the application
LME	London Metals Exchange
the Minister	the Minister for Industry, Science and Technology
MJP	Major Japanese Port
REP 442	<i>Anti-Dumping Commission Report No. 442</i>
SG&A	selling, general and administrative

1 FINDINGS AND RECOMMENDATIONS

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under section 269TB(1) of the *Customs Act 1901* (the Act)¹ by Aluminium Shapemakers Pty Ltd (AluShapes) for the publication of a dumping duty notice in respect of certain aluminium micro-extrusions (the goods) that have been exported to Australia from the People's Republic of China (China). The goods have been exported by Guangdong Jiangsheng Aluminium Co Ltd (Guangdong Jiangsheng) and Guangdong Zhongya Aluminium Co Ltd (Guangdong Zhongya).

AluShapes alleges that the Australian industry for aluminium micro-extrusions has experienced material injury caused by aluminium micro-extrusions exported to Australia from China by Guangdong Jiangsheng and Guangdong Zhongya at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB of the Act.

1.1 Findings

In accordance with section 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of section 269TB(4) (as set out in chapter 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in chapter 2.2 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application (as set out in chapters 3, 4 and 5 of this report).

1.2 Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping duty notice should be published.

The Commission further recommends that:

- exports to Australia during the investigation period 1 January 2019 to 31 December 2019 be examined for dumping; and
- details of the Australian market from 1 January 2016 be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision (**Non-Confidential Attachment 1**) in accordance with the requirements set out in section 269TC(4).

¹ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

2 THE APPLICATION AND THE AUSTRALIAN INDUSTRY

2.1 Lodgement of the application

2.1.1 Legislative framework

The procedures for lodging an application are set out in section 269TB. The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged and receipted by the Commissioner under sections 269TB(1) and (5)	6 January 2020	The Commission received an application from AluShapes, which alleged that the Australian industry has and continues to suffer material injury caused by aluminium micro-extrusions imported into Australia from China by Guangdong Jiangsheng and Guangdong Zhongya at dumped prices.
Applicant provided further information in support of the application under section 269TC(2A)	14 January 2020	The Commission notified AluShapes that the application contained critical and important deficiencies which, if left unaddressed, may create doubt on the reasonableness of the grounds for the publication of a dumping duty notice.
	17 January 2020	AluShapes provided further information in support of its application without having been requested to do so (as provided in section 269TC(2A)). This provision of further information restarted the 20 day period for consideration of the application, and the application was taken to have been lodged and received from the last date the further information was provided.
Consideration decision due under section 269TC(1)	6 February 2020	The Commissioner shall decide whether to reject or not reject the application within 20 days after AluShapes provided further information.

Table 1: Commissioner's timeframe

2.2 Compliance with section 269TB(4)

2.2.1 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that the application complies with section 269TB(4).

2.2.2 The Commission's assessment

The table below summarises the Commission's assessment of compliance with section 269TB(4).

Requirement for the application	Details
Lodged in writing under section 269TB(4)(a)	AluShapes lodged confidential and non-confidential versions of the application in writing. The non-confidential version of the application can be found on the electronic public record on the Commission's website.

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Requirement for the application	Details
Lodged in an approved form under section 269TB(4)(b)	The application is in the approved form (B108) for the purpose of making an application under section 269TB(1).
Contains such information as the form requires under section 269TB(4)(c)	<p>AluShapes:</p> <ul style="list-style-type: none"> • provided a completed declaration; • answered all questions that were required to be answered by the applicant; • completed all appendices; and • provided sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.
Signed in the manner indicated in the form under section 269TB(4)(d)	The application was signed in the manner indicated in Form B108 by a representative of the applicant.
Supported by a sufficient part of the Australian industry under section 269TB(4)(e) and determined in accordance with section 269TB(6)	<p>AluShapes asserts in its application that there are eight other aluminium extrusion manufacturers in Australia. Of these, five provided letters of support or information relevant to its application.</p> <ul style="list-style-type: none"> • one manufacturer indicated that it does not produce like goods; • one manufacturer indicated that it produces like goods, but only for internal consumption; and • three manufacturers indicated that they currently produce like goods, providing their respective production quantities for financial year (FY) 2018/19, and stated their support of AluShapes' application. <p>The Commission examined the websites of other aluminium manufacturers that did not provide a letter of support and could not find any reference to production of aluminium micro-extrusions.</p> <p>The Commission therefore considers that the application is supported by a sufficient part of the Australian industry under section 269TB(4)(e) and complies with the requirements of sections 269TB(6)(a) and (b).</p>
Lodged in the manner approved under section 269SMS for the purposes section 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner's instrument made under section 269SMS, being by email to the Commission's nominated e-mail address provided in that instrument. The application was therefore lodged in a manner approved under section 269SMS(2).

Table 2 – Commission's assessment of application

2.2.3 Finding

Based on the information submitted by AluShapes, the Commission considers that the application complies with section 269TB(4).

2.3 The goods the subject of the application

The table below outlines the goods as described in the application and the tariff classifications the goods are generally classified to.

Full description of the goods, as subject of the application
Aluminium micro-extrusions, in the form of hollow profiles, weighing less than 200 grams per metre (<0.2kg/m) in length, whether or not alloyed, mill finish, powder coated, anodised, or further coated.

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Further information			
<p>Examples of hollow aluminium micro-extrusions in end use applications include flyscreen frame profiles (as used for domestic window flyscreens) and tubes (as used for television aerials).</p> <p>The aluminium micro-extrusions are typically made from aluminium alloys 6060, 6063, 6005 and 6106. The temper of the alloy is typically T5, although some T6 may also be used in micro-extrusion production.</p> <p>Solid aluminium micro-extrusions (including angles, rectangles, solid rounds and squares) are not covered by this application.</p>			
Tariff classification (<i>Schedule 3 of the Customs Tariff Act 1995</i>)			
Tariff code	Statistical code	Unit	Description
7604.10.00	06	Kg	Non alloyed aluminium bars, rods and profiles
7604.21.00	07	Kg	Aluminium alloy hollow angles and other shapes
7604.21.00	08	Kg	Aluminium alloy hollow profiles
7604.29.00	09	Kg	Aluminium alloy non hollow angles and other shapes
7604.29.00	10	Kg	Aluminium alloy non hollow profiles
7608.10.00	09	Kg	Aluminium tubes and pipes, not alloyed
7608.20.00	10	Kg	Aluminium tubes and pipes, alloyed
7610.10.00	12	Kg	Aluminium structures and parts thereof (including profiles and tubes)
7610.90.00	13	Kg	Other aluminium structures and parts thereof

Table 3 – The goods as described in the application

2.3.1 Current anti-dumping measures in relation to aluminium extrusions

The Commission notes that anti-dumping measures currently apply to aluminium extrusions exported to Australia from China,² Malaysia³ and Vietnam.⁴ Certain exporters from Thailand⁵ and Taiwan⁶ are subject to both a dumping duty notice and a countervailing duty notice, following the completion of an anti-circumvention inquiry. These measures include, but are not limited to aluminium micro-extrusions. The measures in relation to China (in the form of a dumping duty notice and a countervailing duty notice) were imposed in 2010.

The Commission undertook a separate investigation (reported in *Anti-Dumping Commission Report No. 442* (REP 442)) in 2018 into the alleged dumping of aluminium extrusions exported to Australia from China by Guangdong Jiangsheng and Guangdong Zhongya. In that case, the Commissioner did not find dumping of aluminium extrusions from either Guangdong Jiangsheng or Guangdong Zhongya during the period examined.

² In the form of a dumping duty notice for all exporters except Guangdong Jiangsheng and Guangdong Zhongya, and in the form of a countervailing duty notice for all exporters except Guangdong Jiangsheng, Guangdong Zhongya, Guangdong Jinxiacheng Al Manufacturing, Foshan Shunde Beijiao Jiawei Aluminium and Foshan Minghua Doors & Windows.

³ In the form of a dumping duty notice and a countervailing duty notice for all exporters except Superb Aluminium Industries Sdn Bhd, Milleon Extruder Sdn Bhd, Kamco Aluminium Sdn Bhd, Genesis Aluminium Industries Sdn Bhd, LB Aluminium Berhad, Press Metal Berhad and Alumac Industries Sdn Bhd.

⁴ In the form of a dumping duty notice for all exporters.

⁵ Specifically, Bay Enterprise, Siam Industrial Supplies, V-PowerBiotech and Foshan ZP Aluminium.

⁶ Specifically, Yun Sin Enterprise.

2.4 Like goods and the Australian industry

2.4.1 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under section 269T(1). Sections 269T(2), (3), (4), and (4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

2.4.2 Locally produced like goods

The table below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods.

Factor	The Applicant’s claims	The Commission’s assessment
Physical likeness	AluShapes claims that domestically manufactured goods and the imported goods have the same physical appearance and cannot be differentiated.	The Commission considers that the Australian industry manufactures like goods that closely resemble the physical appearance of the imported goods, in terms of: <ul style="list-style-type: none"> • alloy composition; • mass per metre; • shapes and profiles; and • finish types.
Commercial likeness	AluShapes claims that domestically manufactured goods are sold via the same or similar distribution channels, to the same or similar customers on the Australian market, and therefore compete directly with the imported goods.	The Commission considers that the Australian industry manufactures like goods that are sold to the same or similar customers and therefore compete directly with imported goods (e.g. the finished products are sold to distributors and original equipment manufacturers based on base price plus extra cost for finishes).
Functional likeness	AluShapes claims that domestically manufactured and imported goods are functionally alike as they have the same or similar end-uses.	The Commission is satisfied that the Australian industry manufactures like goods that are used in the same or similar end-uses (e.g. for manufacture of domestic window flyscreen frames or for television aerials) and are therefore functionally alike to the imported goods.
Production likeness	AluShapes claims that domestically manufactured and imported goods are manufactured in a similar manner – via an aluminium extrusion process.	The Commission considers that the Australian industry produces like goods in a similar manufacturing process (e.g. aluminium billet through a single or multiple shaped die to produce long length of the material with its cross-section copying the various shapes of the die), using the same or similar raw materials (i.e. aluminium billet) as the imported goods.

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Commission's assessment
The Commission's assessment is that the locally produced goods closely resemble the goods the subject of the application and are like goods, given that the primary physical characteristics are similar, are commercially alike as they are sold to common end users, are functionally alike as they have the same end uses, and the imported and locally produced goods are manufactured in a similar manner.

Table 4 – Like goods assessment

2.4.3 Manufacture in Australia

The table below summarises the Commission's assessment of whether at least one substantial process of manufacture is carried out in Australia and whether the like goods are therefore considered to have been manufactured in Australia.

The Applicant's claims
AluShapes claims that aluminium micro-extrusions are fully manufactured in Australia using Australian and imported raw materials. The major raw material used in producing aluminium extrusions is aluminium billet which is substantially transformed into aluminium extrusions via a capital intensive extrusion manufacturing process.
The Commission's assessment
Based on the description of the manufacturing process provided by AluShapes and the fact that these processes take place at manufacturing facilities in Australia, the Commission is satisfied that aluminium micro-extrusions are manufactured in Australia with at least one substantial process in the manufacture of these goods being carried out in Australia.

Table 5 – Manufacture of like goods in Australia

2.4.4 Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods (the subject of the application) on the basis that:

- AluShapes produces goods that are identical in all respects to or have characteristics that closely resemble the goods (the subject of the application), and
- at least one substantial process in the manufacture of those goods is carried out in Australia.

2.5 Australian industry information

2.5.1 Data in application

The table below summarises the Commission's assessment of whether AluShapes has provided sufficient information in the application to analyse the performance of the Australian industry.

Have the relevant appendices to the application been completed?		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Yes
A6.1	Cost to make and sell (& profit) – Domestic sales	Yes
A6.2	Cost to make and sell (& profit) – Export sales	Not applicable

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A7	Other injury factors	Yes	
General administration and accounting information			
History	AluShapes has been producing aluminium extrusions at Somersby, near Gosford on the NSW Central Coast since 1998.		
Ownership	AluShapes is a privately held company.		
Operations	AluShapes manufactures and markets aluminium extrusions, including aluminium micro-extrusions.		
Financial year	1 July to 30 June.		
Audited accounts	Financial reports are generated by a third party Chartered Accountant; the applicant is a small business, therefore these financial reports are unaudited.		
Annual reports	AluShapes provided unaudited financial statements for the 2017, 2018 and 2019 financial years.		
Production and sales information		Cost to make and sell information	Other injury factors
<p>The Commission has no significant concerns in respect of the production and sales information provided by AluShapes. The Commission will require that AluShapes provide additional information for Appendix A4:</p> <ul style="list-style-type: none"> goods description as per its quoted part number; and sales data for 1 October 2019 to 31 December 2019. 		<p>The Commission has no significant concerns in respect of the cost information provided by AluShapes. The Commission will require that AluShapes provide additional data for Appendix A6:</p> <ul style="list-style-type: none"> 1 October 2019 to 31 December 2019. 	<p>The Commission has no significant concerns regarding the data provided in Appendix A7 to the application.</p>
The Commission's assessment			
Based on the information in the application and an assessment that it was provided in a format that was reasonable for AluShapes to provide, the Commission is satisfied that there is sufficient data on which to analyse the performance of the Australian industry between 1 July 2018 and 30 June 2019.			

Table 6 - Australian industry information

2.5.2 Market size

AluShapes has estimated the size of the Australian aluminium micro-extrusions market based on its own data, information provided by other Australian industry participants and import data from the Australian Bureau of Statistics (ABS). This is set out in *Confidential Appendix A2* of its application.

The Applicant's approach to import data

When determining the size of the market made up by imports, AluShapes noted that all aluminium extrusion profiles (both the goods and non-goods) are within the same tariff classifications and statistical codes. Because of this, aluminium micro-extrusions could not be isolated within the ABS data.

To estimate the import volume of aluminium micro-extrusions, AluShapes calculated the ratio of its own production of the goods expressed as a proportion of its production of general aluminium extrusions, and applied this ratio to the total import volume of aluminium extrusions. AluShapes claims that this approach is a reasonable way of estimating the volume of imports of aluminium micro-extrusions. Using AluShapes' method, the estimated Australian market size would be 96 tonnes in FY 2018/19.

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Commission's analysis

To estimate the volume of imports of aluminium extrusions into Australia, the Commission used the following methodology:

- data was extracted from the Australian Border Force (ABF) import database based on the relevant tariff classifications and statistical codes for aluminium extrusions (being the same codes listed in the goods description in chapter 2.2.3);
- the data was filtered based on the goods description to exclude import transactions that appeared not to be the goods under consideration;
- the data was filtered to exclude transactions where the Free on Board (FOB) price per kilogram was outside a range of \$2 to \$10 Australian dollars (considered a reasonable price range for the goods, based on observations from previous investigations, reviews and inquiries into aluminium extrusions) in order to exclude outlying data; and
- the data was filtered to exclude consignments of under 100 kg, in order to reduce the number of price outliers due to small import size.

The Commission examined the ABF import database and identified import consignments with unusual prices and goods descriptions that seemed not to relate to aluminium extrusions. The Commission is of the view that data for these consignments contained errors or were erroneously classified as aluminium extrusions and so did not appear to accurately reflect imports of the goods or, more broadly, aluminium extrusions within the goods description of goods currently subject to Australian dumping or countervailing duties.

The Commission analysed the ABF import database in respect of the aluminium extrusion imports and observed that, like the ABS data, aluminium extrusions are not separated into an identifiable sub-category covering only the goods. The Commission was unable to identify any characteristics of the goods (e.g. specific price ranges) that would accurately filter the ABF import data to exclude imports of items other than the goods.

Accordingly, the Commission considered it appropriate to apply a similar approach as AluShapes for the purpose of estimating the size of the Australian market, but to have greater regard to the information provided by other Australian industry members. The Commission used the information supplied by the five Australian industry members that supported AluShapes' application (referred to in chapter 2.2.2) and, including AluShapes' information, calculated the ratio of total Australian industry production of the goods expressed as a proportion of their collective total production of aluminium extrusions generally (data which has been provided to the Commission in relation to an ongoing case). The Commission then applied this ratio to the total import volume of aluminium extrusions established in the filtered import data used from the ABS and ABF databases. The Commission considers this approach to be preferable, as AluShapes' relative production volumes and proportions of aluminium micro-extrusions and aluminium extrusions generally do not reflect the experience of other Australian industry members and may therefore result in an over-estimated volume of imports of the goods.

Based on the methodology discussed above, the figure below depicts the relative size of the Australian market for the goods over the previous four financial years.

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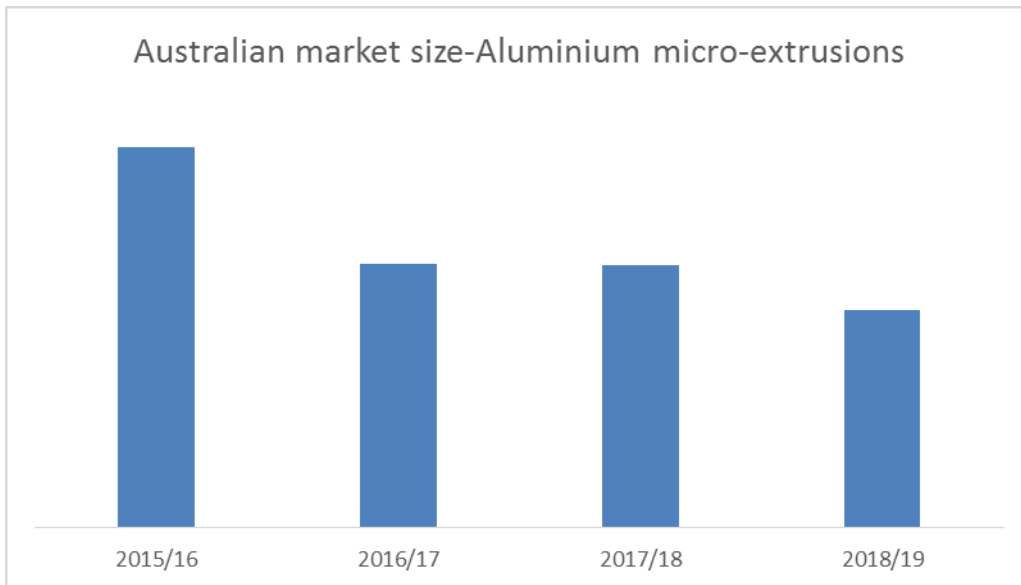


Figure 1 – Australian market size – Aluminium micro-extrusions⁷

The Commission estimates that the total Australian market size in 2018/19 was approximately 220 tonnes.

⁷ Confidential Attachment 2 refers.

3 REASONABLE GROUNDS – DUMPING

3.1 Findings

Pursuant to section 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support AluShapes’ claims that:

- the goods have been exported to Australia from China by Guangdong Jiangsheng and Guangdong Zhongya at dumped prices;
- the estimated dumping margin for exports from the China by Guangdong Jiangsheng and Guangdong Zhongya is greater than 2 per cent and therefore is not negligible; and
- the estimated volume of goods exported from China by Guangdong Jiangsheng and Guangdong Zhongya that appear to have been dumped is greater than 3 per cent of the total Australian import volume of the goods and therefore is not negligible.

3.2 Legislative framework

Section 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the Minister for Industry, Science and Technology (the Minister) must be satisfied of, in order to publish a dumping duty notice, is that the export price of goods that have been exported to Australia is less than the normal value of those goods, (i.e. that dumping has taken place to an extent that is not negligible). This issue is considered in the following sections.

3.3 Export price

3.3.1 Legislative framework

Export price is determined by applying the requirements in section 269TAB, taking into account whether the purchase or sale of goods comprised an ‘arms length’ transaction, under section 269TAA.

3.3.2 The Applicant’s estimate

The table below summarises the approaches taken by AluShapes to estimate export prices and the evidence relied upon. AluShapes used two methods to estimate export prices.

Basis of estimate	Details
Section 269TAB(1)(a)	<p>AluShapes has used import data from the ABS to determine export prices for goods classified under tariff and statistical codes 7604 and 7608 (discussed further above in chapter 2.5.2 in respect of import volumes) exported from the subject country.</p> <p>Based on the ratio of its own production of micro-extrusions, as a proportion of its general extrusion production and an estimate of Guangdong Jiangsheng and Guangdong Zhongya’s exports, as a proportion of all Chinese exports to Australia, AluShapes calculated a FOB export price under each tariff and statistical classification.</p> <p>Based on this methodology, AluShapes tried to demonstrate a “flat price” structure for all the imports coming into Australia from China.</p>

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Basis of estimate	Details
Section 269TAB(1)(b)	<p>Alternatively, AluShapes has used a deductive export price based on sales offers submitted by importers of the goods from China. AluShapes explained that the quotation feedback from prospective customers contained sufficient information to enable AluShapes to estimate an export price by using a deductive export price methodology⁸ to estimate the FOB price for aluminium micro-extrusions. To calculate an equivalent FOB price, AluShapes estimated and made deductions for the following costs:</p> <ul style="list-style-type: none"> • net profit of the importer; • delivery costs to the buyer; • freight from wharf to store; • import clearance and handling costs; and • overseas freight.

Table 7– AluShapes’ estimate of export price

3.3.3 The Commission's assessment

The Commission examined the export price calculations and supporting evidence provided by AluShapes, considering the potential limitations of the information available to AluShapes.

To evaluate the reliability of the export price estimated by AluShapes, the Commission has undertaken the following analysis:

- cross checked ABS data with the ABF import database; and
- assessed the estimated export pricing structure based on information from a previous investigation (REP 442 refers).

The Commission accepts that an applicant can only provide information in its application that is reasonably available to it.

Based on ABF or ABS data, the Commission is not able to establish an export price, as there is no sub-category covering aluminium micro-extrusions, because all aluminium extrusions are classified under a broader general category.

The Commission notes that the methodology provided to calculate the deductive export prices relate to the goods under consideration. In addition, based on previously verified data (REP 442 refers), Guangdong Jiangsheng and Guangdong Zhongya’s export prices have been deemed comparable.

As a result, based on the assessment of the information provided by AluShapes, for the purposes of this report, the Commission considers that the deductive export price method is a reasonable and reliable basis on which to assess the applicant’s claims regarding alleged dumping.

AluShapes’s calculation of export price and the Commission’s comparison is provided at **Confidential Attachment 3**.

⁸ Confidential Attachment 3 refers.

3.4 Normal value

3.4.1 Legislative framework

Normal value is determined by applying the requirements set out in section 269TAC, taking into account whether:

- the purchase or sale of the goods comprised an ‘arms length’ transaction under section 269TAA;
- the goods were sold in the ‘ordinary course of trade’ under section 269TAAD;
- there has been an absence (or low volume) of sales of like goods in the country of export; and
- the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under section 269TAC(1).

If there has been an absence (or low volume) of sales of like goods in the country of export or the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value (referred to as “a particular market situation”), normal value is calculated to take into account, either:

- section 269TAC(2)(c): the cost of production or manufacture of the goods in the country of export; plus administrative, selling and general costs associated with the sale and the profit on that sale; or
- section 269TAC(2)(d): the price paid (or payable) for like goods sold in the ordinary course of trade in arms length transactions for exportation from the country of export to an appropriate third country.

3.4.2 The Applicant's estimate

The table below summarises the approach taken by AluShapes to estimate normal values for Guangdong Jiangsheng and Guangdong Zhongya and the evidence relied upon.

Basis of estimate	Details
<p>AluShapes claims that there is a particular market situation in China. On this basis, AluShapes has calculated constructed normal values using amounts for:</p> <ul style="list-style-type: none"> • Cost to Make: <ul style="list-style-type: none"> ○ London Metals Exchange (LME) price for aluminium ingots ○ Major Japanese Port (MJP) premium ○ a billet premium ○ metal waste cost ○ direct labour cost ○ conversion cost ○ packaging cost ○ powder coating cost • Selling, general and administrative (SG&A) expenses • Profit • Adjustments 	<p><u>Cost to make</u></p> <p>The LME price for aluminium ingot, the MJP premium and the billet premium for each month was sourced from Argus Aluminium.</p> <p>Labour costs are based upon AluShapes’ direct labour in 2018/19 for aluminium micro-extrusions.</p> <p>Conversion costs are based upon AluShapes’ variable conversion costs for aluminium micro-extrusions in 2018/19. A net value-added assessment has been provided together with detailed engineering data reflecting a higher production cost of aluminium micro-extrusions (e.g. engineering records demonstrating ratio of weight of raw material and hourly product output).</p> <p>Packaging costs are estimated and include stillage costs.</p> <p>Powder coating costs are based upon AluShapes’ powder coating trial.</p> <p><u>SG&A expenses</u></p> <p>SG&A costs are based upon AluShapes SG&A expenses in 2018/19.</p> <p><u>Profit</u></p> <p>10 per cent profit has been applied to arrive at a selling price for each quarter from FY2018/2019.</p> <p><u>Adjustments</u></p>

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Basis of estimate	Details
	AluShapes advised it did not have access to relevant information to make any adjustments to the constructed normal value.

Table 8 – AluShapes’ estimate of normal value

3.4.3 The Commission's assessment

Information relied upon by the Commission

The Commission must determine whether there appear to be reasonable grounds for supporting a claim that the goods have been exported at dumped prices. The Commission is therefore required to assess whether the normal value estimation provided in the application is reasonable.

The Commission has examined the normal value calculations and supporting evidence provided by AluShapes. In making its assessment, the Commission has had regard to the information contained in the application and other information the Commission considers relevant. Given that deductive export pricing evidence was only provided in relation to Guangdong Jiangsheng, the Commission’s assessment has been completed in the context of assessing the reasonableness of AluShapes’ calculation of normal value for Guangdong Jiangsheng.

In making this assessment, the Commission acknowledges the fact that applicants usually have access to limited data to enable them to estimate the costs in the country of production. The Commission considers it reasonable for applicants to use their own costs, but where it is reasonable and practicable to do so, the Commission considers that those costs should be adjusted to more accurately reflect costs in the country of production.

In certain circumstances, the Commission will have access to information which will enable the assessment of the reasonableness of the information relied on by the applicant on a comparison basis. The Commission may also have other information directly relevant to the application which the Commission may prefer to use in assessing the application, as it is more relevant and reliable than the information relied on by the applicant.

The Commission notes that it obtained and verified information relevant to constructing a normal value from both Guangdong Jiangsheng and Guangdong Zhongya in REP 442. The Commission considers the investigation period for that investigation to be relatively contemporaneous to the alleged period of dumping in this application. It is noted that these costs relate to the broader range of aluminium extrusions (which includes aluminium micro-extrusions) covered in REP 442 and that these costs were categorised by finish type, not by the mass per metre cost.

Normal value

The Commission considers that the approach taken by AluShapes appears to be reasonable.

The Commission has, accordingly, assessed the elements of the normal value calculations. In making its assessment of whether AluShapes’s estimate of normal value is reasonable, the Commission has had regard to the information contained in the application and other information the Commission considers relevant.

The table below summarises the approach taken by the Commission to estimate normal values.

The Commission's assessment

Particular market situation

The Commission considers that there appear to be reasonable grounds for AluShapes to assert that there is a market situation in the Chinese aluminium market.

AluShapes alleges that the market situation in China identified in previous investigations, reviews and inquiries for aluminium extrusions continues to exist. AluShapes submits that these findings should also be applicable to aluminium micro-extrusions (as they share common raw materials, physical properties and production processes). Consequently, AluShapes submitted that Chinese domestic selling prices remain unsuitable for determining normal values under section 269TAC(1).

Based on the information provided, the Commission considers it is appropriate to assess AluShapes' market situation claims during the normal course of the investigation, noting it is a key question to resolve in establishing the appropriate method to establish normal value. The Commission will seek the necessary information from exporters and from the GOC in order to independently assess AluShapes' claims.

Cost to make – raw material costs (LME price)

The Commission considers that AluShapes use of published LME ingot prices, Billet Premiums and MJP premiums is reasonable in estimating the raw material cost of aluminium in China. The LME and MJP data is relevant and the data is contemporaneous.

However, the Commission notes that the application contains conflicting information on the source of the data. The Commission therefore used LME ingot and MJP premiums from Metals.com and the billet premium established in Review 482 for the purposes of assessing AluShapes' application. Given that these prices are exclusive of inland transport costs, the Commission has uplifted these aluminium costs by the verified inland transport costs of Guangdong Jiangsheng from REP 442.

Cost to make – metal waste costs

AluShapes provided a rate of metal waste during the production process for aluminium micro-extrusions, based on data gathered from AluShapes' own production process.

The Commission assessed the reasonableness of the metal loss costs used by AluShapes by comparing the proportional waste cost with the data obtained in REP 442. However, this information is not specific to aluminium micro-extrusions. The Commission therefore considers the metal waste and recovery rates from AluShapes are reasonable.

Cost to make – direct labour

The labour costs used were based on the direct labour costs incurred by AluShapes in manufacturing aluminium micro-extrusions in Australia during 2018/19.

The Commission considers that, irrespective of the relative importance of these costs, adjustments should be made where reasonably possible to ensure these costs are representative of labour costs in China.

Given that the Commission has recently obtained and verified cost data from the two exporters' subject of this application, the Commission used the verified direct labour costs incurred by Guangdong Jiangsheng in REP 442 and considered AluShapes' claims of a higher rate of labour costs allocation for micro-extrusions.

Cost to make – conversion costs

The conversion costs used in the application were based on AluShapes' variable conversion costs for aluminium micro-extrusions in 2018/19.

AluShapes claims that the cost of converting aluminium micro-extrusion from billet is a far more time consuming process than typical aluminium extrusions.

The Commission notes that these cost differences reflect conversion costs in Australia and not in China.

Consequently, the Commission used the verified conversion costs incurred by Guangdong Jiangsheng in REP 442, taking into consideration different conversion rates between micro- and general aluminium extrusions.

Cost to make – powder coating costs

AluShapes in its application advised that the powder coating costs are based upon AluShapes powder coating trial. The Commission notes that these costs reflect powder coating costs in Australia and not in China.

Consequently, the Commission used the verified powder coating costs incurred by Guangdong Jiangsheng in REP 442, taking into consideration of different conversion rate between micro- and general aluminium extrusions.

Cost to make – packaging costs

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The Commission's assessment

The packaging costs used in the application were estimated by AluShapes and were based on AluShapes' 2018/19 costs. AluShapes further stated that packaging costs were considered to be understated.

The Commission notes that these costs reflect packaging costs in Australia and not in China.

Consequently, the Commission used the verified packaging costs incurred by Guangdong Jiangsheng in REP 442.

SG&A expenses

The SG&A costs used in the Application were based on AluShapes' variable SG&A costs for micro-extrusions in 2018/19.

These costs reflect SG&A costs in Australia and not in China. The Commission notes that no adjustments were made by AluShapes to ensure that these costs reflect the differing SG&A costs incurred in China.

The Commission considers the use of recently obtained verified SG&A costs of Jiangsheng in REP 442 to be a preferable basis on which to estimate SG&A costs for this report.

Consequently, the Commission used the verified SG&A costs incurred by Gaungzhou Jiangsheng in REP 442.

Profit

AluShapes applied a 10 per cent profit to the constructed costs. AluShapes advised that the profit was based upon the level required from reinvestment purposes in the aluminium extrusions industry.

The Commission applied the verified profit for Guangdong Jiangsheng in REP 442. The Commission notes that the use of this profit does not in itself reduce the constructed normal value used by the Commission.

Inflation

The Commission noted that publicly available information is available indicating the annual inflation rate within China and, therefore, the Commission could apply an adjustment to better estimate an increase in certain costs between the inquiry period in REP 442 and the period claimed in AluShapes' application.

When calculating estimated normal values and an estimated dumping margin, the Commission determined that applying inflation would not materially affect its determination in respect of AluShapes' application. The Commission has not applied an adjustment to costs to reflect an estimate increase due to inflation.

Adjustments

AluShapes advised it did not have access to relevant information to enable it to make relevant adjustments to the constructed normal value.

The Commission acknowledges that AluShapes has access to limited information and is unable it to make necessary adjustments to the normal value for the purposes of fair comparison to the export price.

The Commission notes that it made findings in REP 442 on normal value adjustments required to ensure a fair comparison of Guangdong Jiangsheng's export price to its normal value. For the purposes of making a fair comparison, the Commission made the following adjustments to the calculated normal value which are based on the findings in REP 442:

- Deducted the cost of domestic credit;
- Deducted the cost of domestic packaging;
- Added the cost of export packaging;
- Added the cost of export inland transport;
- Added the cost of export handling expenses;
- Added the cost of export agent fees;
- Added the cost of the Australian branch office;
- Added a non-refundable VAT amount of 3 per cent; and
- Added the cost of export credit.

Table 9– the Commission's assessment of normal value

AluShapes' calculation and the Commission's analysis of normal value is provided at **Confidential Attachment 4**.

3.5 Dumping margins

3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB. Dumping margins and dumping volumes cannot be negligible, otherwise the investigation is terminated. Whether the dumping margins and dumping volumes are negligible is assessed under section 269TDA.

3.5.2 The Commission's assessment

The table below summarises the dumping margins estimated by AluShapes and the dumping margins calculated by the Commission, using the method described in sections 3.3.3 and 3.4.3.

Dumping margins are expressed as a percentage of the export price.

AluShapes' estimate	Commission's estimate
80.4% to 90.7%	5.9%

Table 10 – Estimated dumping margins

Based on the Commission's estimate of dumping margins for the subject country and exporters, there appear to be reasonable grounds for the Commission to be satisfied that the dumping margins are above negligible levels.

AluShapes' estimate and the Commission's assessment of dumping is provided at **Confidential Attachment 5**.

3.5.3 Volume of dumped goods

Sections 269TDA(3) and (4) provide that an investigation into dumping must be terminated if the total volume of goods exported to Australia over the relevant investigation period that may be dumped is negligible. A negligible volume of goods is less than 3 per cent of the total Australian import volume.

Using the method set out in section 2.5.2, the Commission has estimated the volume of the goods exported from the subject Chinese exporters. Based on the Commission's assessment, the Commission is satisfied that there appear to be reasonable grounds for concluding that the volume of dumped goods is not negligible.

4 REASONABLE GROUNDS – INJURY TO THE AUSTRALIAN INDUSTRY

4.1 Findings

Pursuant to section 269TC(1)(c), having regard for the matters contained in the application, and other information considered relevant, the Commission considers that there appears to be reasonable grounds to support the claim that the Australian industry has experienced injury in the form of:

- loss of sales volume;
- reduced market share;
- price suppression;
- loss of profits;
- reduced employment; and
- reduced capacity utilisation.

AluShapes has provided sufficient information in its application for the Commission to undertake an initial assessment of injury and causation.

4.2 Legislative framework

Under section 269TG, one of the matters that the Minister must be satisfied of, in order to publish a dumping duty notice, is that the Australian industry has experienced material injury. This issue is considered in the following sections.

The matters that may be considered in determining whether the Australian industry has experienced material injury are set out in section 269TAE. In assessing the materiality of the claimed injury, the Commission has also had regard to the *Ministerial Direction on Material Injury 2012* (the Direction).⁹

4.3 Approach to injury analysis

The analysis detailed in this section is a preliminary analysis, based on information provided by AluShapes in support of its application, including quarterly production, cost, sales and other financial data. Where relevant, the Commission also had regard to the ABF import database and other information available.

This chapter analyses the economic condition of the Australian industry and provides an assessment as to whether there appear to be reasonable grounds to support a claim that the Australian industry has suffered injury.

In its analysis of volume effects and market share, the Commission has used data provided by the applicant in Confidential Appendix A2 in respect of Australian industry sales, and import data from the ABS imports database. The method for determining volumes is discussed in section 2.5.2.

The Commission's assessment of the economic condition of the Australian aluminium micro-extrusion industry (and therefore the basis for the figures set out in this chapter) forms **Confidential Attachment 2**.

⁹ *Ministerial Direction on Material Injury 2012*, available at www.adcommission.gov.au.

4.3.1 Injury analysis period

The purpose of the injury analysis period is to enable the Commission to identify and examine trends in the Australian market, which in turn assists the Commission in its examination of whether material injury has been caused by dumping. AluShapes has provided data from 1 July 2016 to 30 September 2019 for this purpose. All figures below compare financial years ending 30 June.

4.4 The Applicant's claims

AluShapes claims that, as a key member of the Australian Industry, it has been injured through:

- loss of sales volume;
- reduced market share;
- price suppression;
- loss of profits;
- reduced employment;
- reduced capacity utilisation; and
- reduced investment.

AluShapes states that it has experienced injury across the four-year period, commencing in FY2015/16, with exports of dumped goods from the nominated exporters preventing AluShapes from increasing its sales volume.

4.5 Volume effects

AluShapes claims it has suffered injury in the form of lost sales volumes.

4.5.1 Sales volume

The figure below depicts AluShapes' total sales of the like goods, and its volumes over the injury analysis period. The Commission notes that sales volumes have decreased relative to FY2015/16 over the last two financial years.

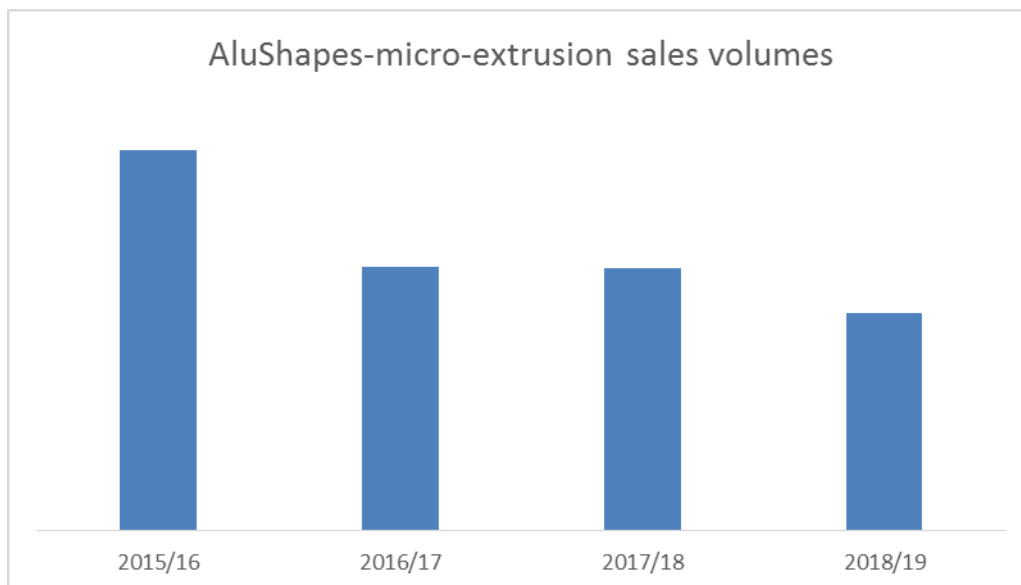


Figure 2 – AluShapes micro-extrusion sales volumes

4.5.2 Market share

AluShapes claimed that the Australian market for aluminium micro-extrusions has grown over the period from 2015/16 to 2018/19, along with the broader aluminium extrusions market. Its own volumes, however, have not experienced or participated in any market growth. AluShapes also claims that it has experienced a reduction in market share in each of the three subsequent years, and it has been unable to secure increased market share growth, due to the lower-priced dumped imports from the subject country and exporters.

The figure below depicts the relative market shares of the Australian industry, imports from China and imports from other countries over the injury analysis period:

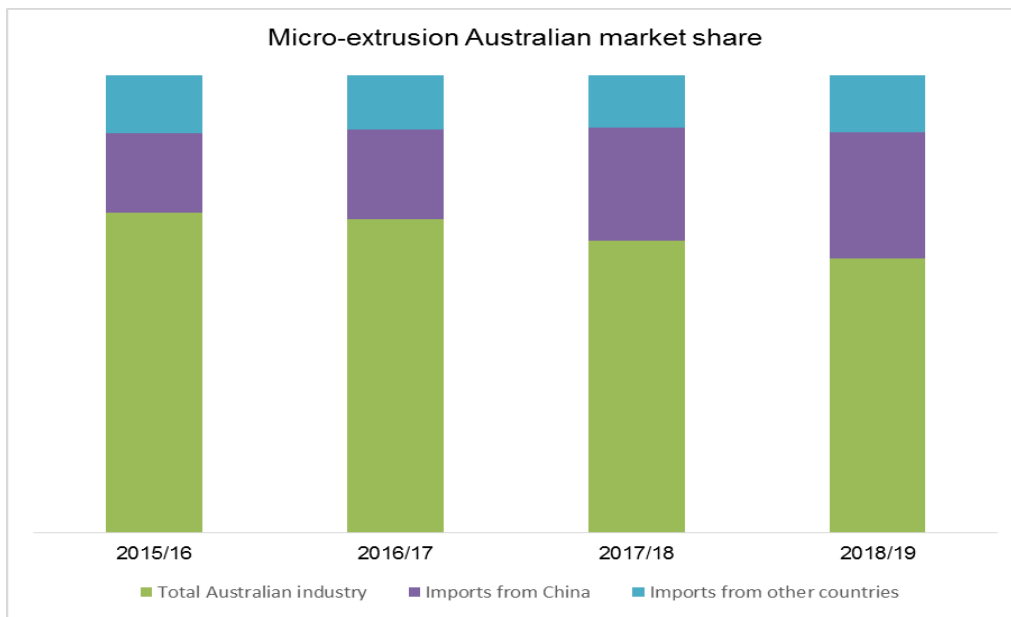


Figure 3 – Australian market share for aluminium micro-extrusions

It can be observed that the percentage of import volumes constituting the Australian market for the goods has increased over the injury period, while volumes sold by Australian manufacturers have declined (noting that this observation is an estimate, as discussed in section 2.5.2), and the majority of the market for the goods is made up of imports from China.

Noting that AluShapes has specified two Chinese exporters in its application, Guangdong Jiangsheng and Guangdong Zhongya, the Commission has broken down the Chinese portion of market share to specify the share of the Australian micro-extrusion market taken up by these two exporters and all other Chinese exporters. This is depicted in the figure below:

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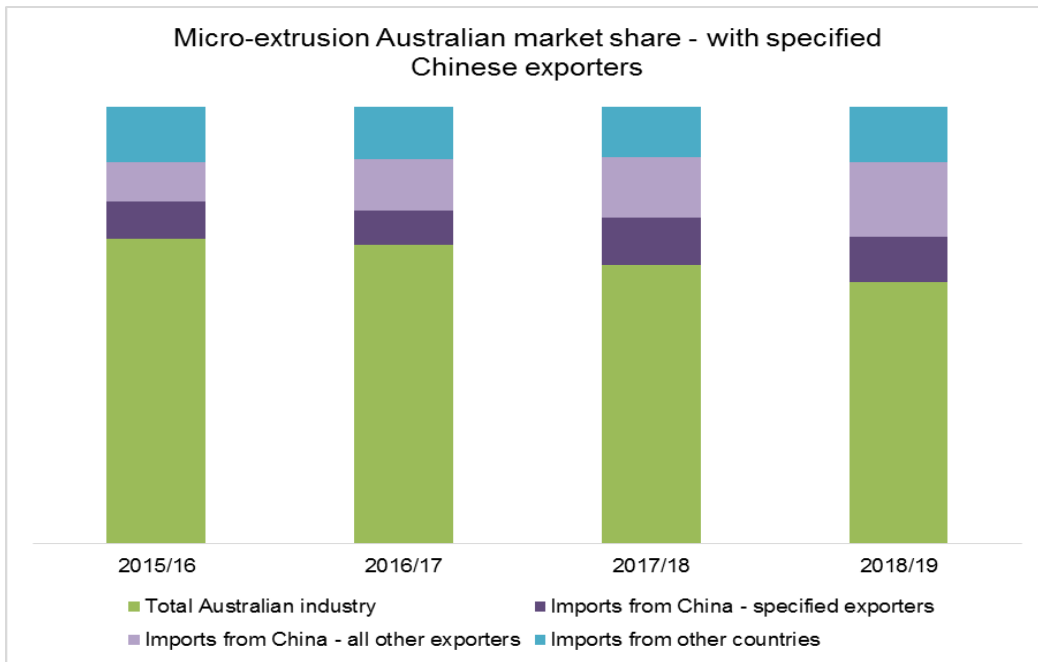


Figure 4 – Australian market share for aluminium micro-extrusions, broken down into the specified Chinese exporters and other Chinese exporters

As can be observed from the figure above, both Guangdong Jiangsheng and Guangdong Zhongya together make up a significant proportion of the estimated volume of aluminium micro-extrusions sold in Australia. This is consistent with claims from AluShapes that the two exporters are the main sources for the goods for Australian importers.

4.5.3 Import volumes

The figure below depicts import volumes broken down into the Chinese exporters specified in the application, all other Chinese exporters, and exports from all other countries:

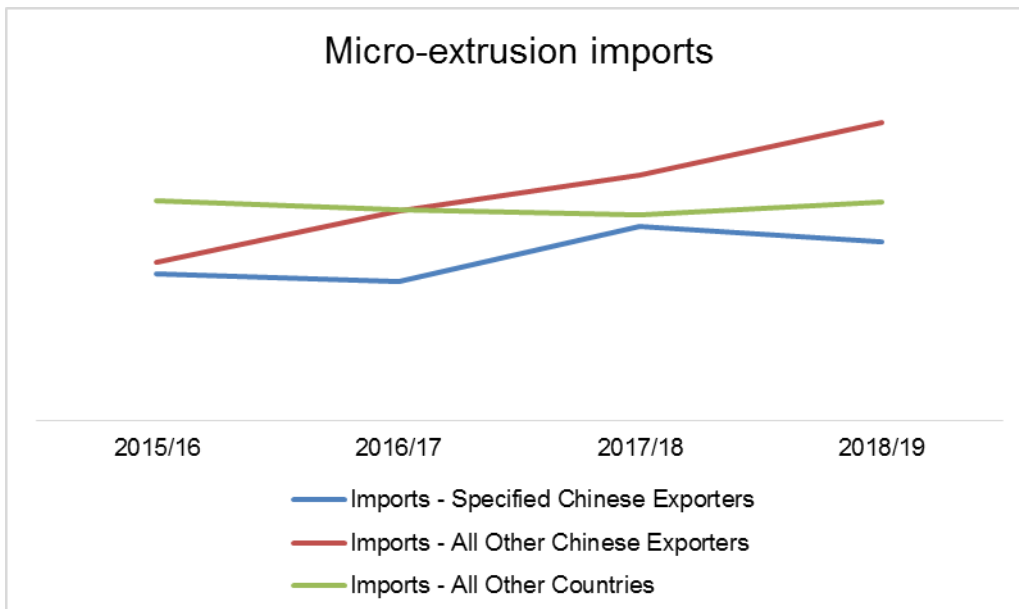


Figure 5 – Micro-extrusion imports from China and all other countries

It can be seen from the figure above that imports of the goods from all other countries have declined slightly over the injury period, where imports from Chinese exporters,

CON 542 - Aluminium micro-extrusions exported from China by Guangdong Jiangsheng and Guangdong Zhongya

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including the specified exporters, have increased. The Commission does note that the data indicates a slight drop in imports from the specified exporters over the last financial year, whereas imports from all other Chinese exporters have grown steadily.

4.5.4 Conclusion – volume effects

From the data examined by the Commission, it can be observed that Australian industry has lost market share over the previous four financial years, primarily driven by a decline in AluShapes' sale volume of the goods. In percentage terms over the whole of the market, this decline is small. However, relative to AluShapes' own sales, this decline is significant.

4.6 Price effects

Price depression occurs when a company lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

4.6.1 Price effects – analysis

In its application, AluShapes claimed that it has experienced material injury in the form of price depression (throughout 2018/19) and price suppression. AluShapes alleges that, as a result of price undercutting by dumped imports, it has been required to lower its prices in order to maintain volume.

The following graph shows the trends in AluShapes' weighted average unit price and weighted average per unit cost to make and sell (CTMS) for aluminium micro-extrusions from 2015/16 to 2018/19.

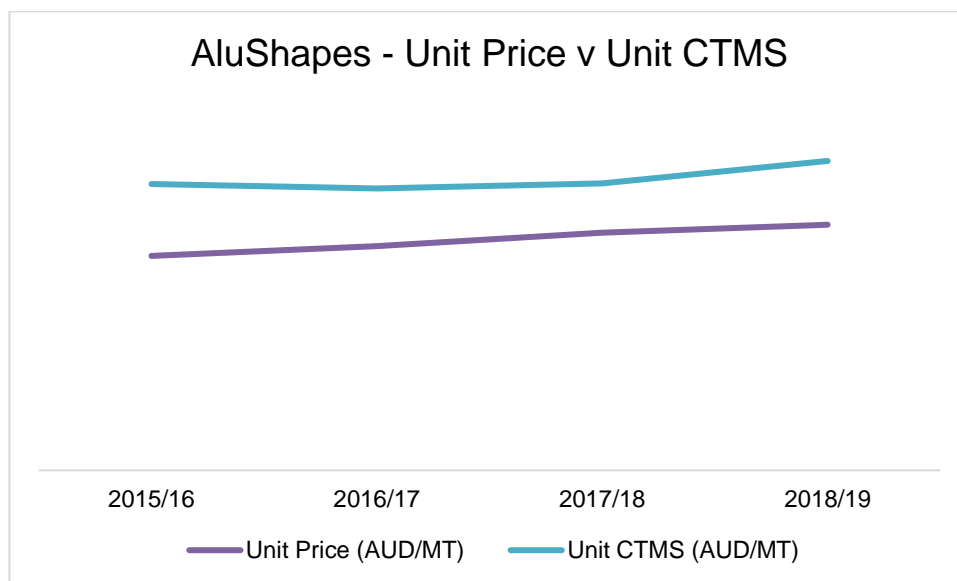


Figure 6 – Unit Price and Unit CTMS for goods produced by AluShapes

It can be observed from the figure above that the unit CTMS is higher than the price at which the goods are sold throughout the entire injury period, indicating that AluShapes is making a loss on its sale of the goods.

Unit CTMS has increased slightly over the injury period (as stated by AluShapes), while prices have also risen. Some fluctuation is observed in the unit CTMS and unit price, and as a result of the increased unit CTMS in FY 2018/19 the gap to unit prices has increased, which is indicative of price suppression.

CON 542 - Aluminium micro-extrusions exported from China
by Guangdong Jiangsheng and Guangdong Zhongya

4.6.2 Conclusion – price effects

Based on the above, it is difficult to conclude that AluShapes has suffered price depression. AluShapes appears to have experienced price suppression. However, at no point during the injury period has AluShapes been profitable with respect to the goods. An inability to raise prices to a profitable, or breakeven level, may also be an indication of price suppression.

4.7 Profit and profitability effects

4.7.1 Profit and profitability – analysis

AluShapes claims that it has experienced ongoing losses for the goods throughout the injury period.

The figure below depicts AluShapes' total profit and profitability as a proportion of sales revenue in respect of the goods over the injury period:

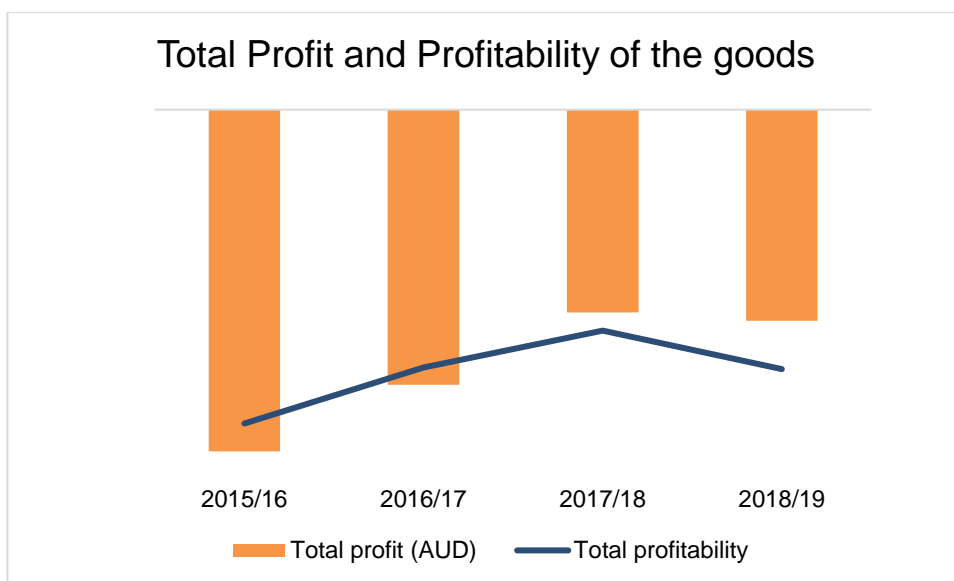


Figure 7 – Profit and profitability of the goods sold by AluShapes

It can be observed that no profit has been made over the injury period by AluShapes in respect of the goods. Accordingly, profitability has also been negative.

4.7.2 Conclusion – profit and profitability effects

In light of the above, the Commission has found that there appear to be reasonable grounds to support the claim that AluShapes has suffered injury in the form of lost profits.

4.8 Other injury factors

AluShapes also claimed reduced employment, reduced capital investment, reduced capacity utilisation, higher stock levels, and an inability to grow into available invested production capacity. The Commission has examined the data provided by AluShapes in respect of each of these claims.

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4.8.1 Employment

AluShapes states in its application that it has reduced its employment numbers in 2018/19 to reduce fixed costs to remain competitive with imports for all aluminium extrusion production.

An index of its employment numbers is provided below:

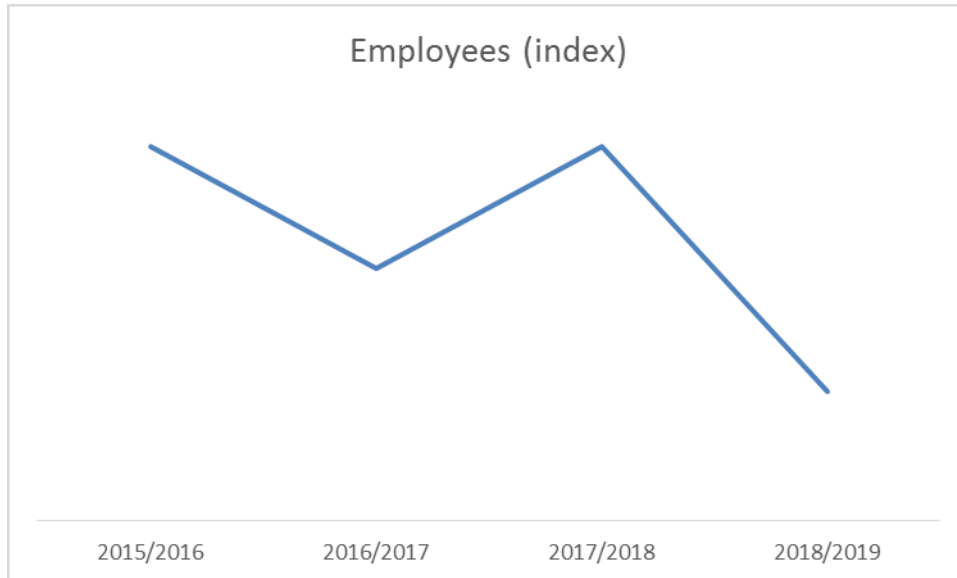


Figure 8– Index of AluShapes' employment numbers

4.8.2 Capital Investment

AluShapes states in its application that its capital investment in respect of micro-extrusions has declined over the most recent three year period. An index of its capital investment is provided below:

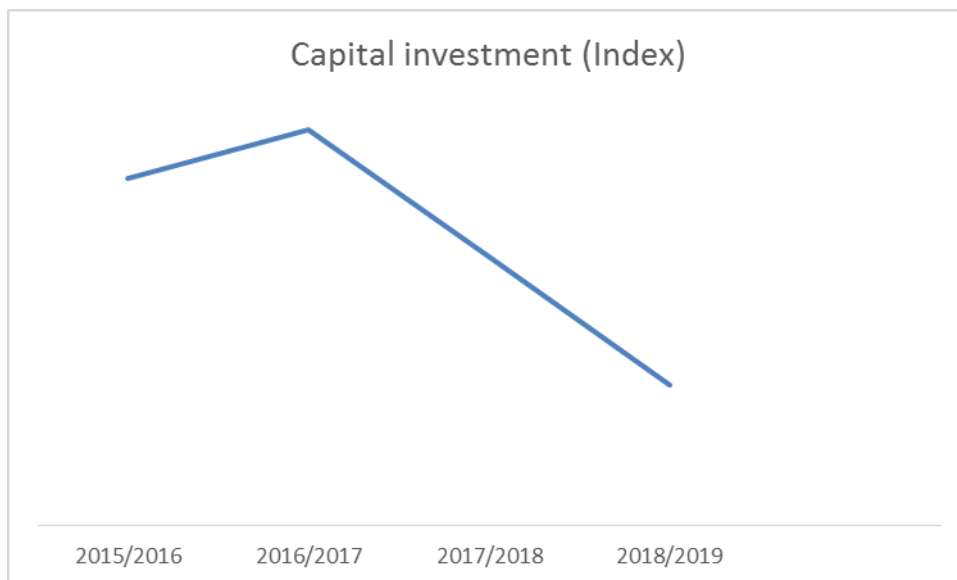


Figure 9 – Index of AluShapes' capital investment

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4.8.3 Capacity utilisation

AluShapes states in its application that its capacity utilisation in respect of micro-extrusions has declined over the most recent three year period. It has the capacity to increase the number of shifts it operates to produce the goods.

An index of its capacity utilisation is provided below:

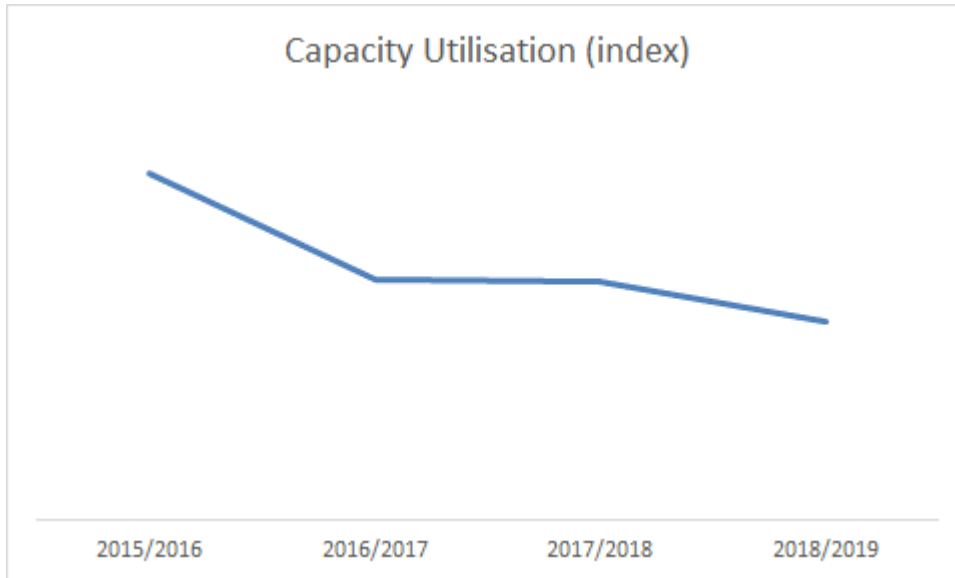


Figure 10 – Index of AluShapes capacity utilisation in respect of the goods

4.8.4 Stock levels

An index of stock levels is provided below:

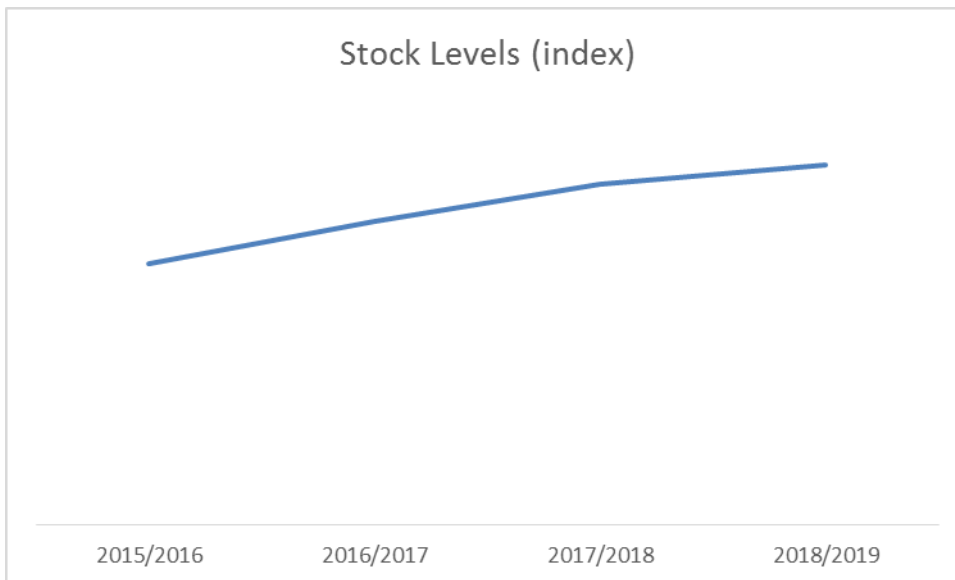


Figure 11 – Index of AluShapes stock levels

4.8.5 Conclusion – other injury factors

Based on the information above, there appear to be reasonable grounds to support the claim that AluShapes has suffered injury in the forms of:

- reduced employment numbers;
- Reduced capital investment;

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- reduced capacity utilisation; and
- increased stock levels.

4.9 The Commission's assessment

The Commission considers that there appear to be reasonable grounds to support the claim that the Australian industry has experienced injury in the form of:

- loss of sales volume;
- reduced market share;
- price suppression;
- loss of profits;
- reduced employment;
- reduced capacity utilisation;
- reduced capital investment; and
- Increased stock levels.

5 REASONABLE GROUNDS – CAUSATION FACTORS

5.1 Findings

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claim that the Australian industry has suffered injury caused by dumping and that the injury is material.

5.2 Cause of injury to the Australian industry

5.2.1 Legislative framework

Under section 269TG, one of the matters that the Minister must be satisfied of, in order to publish a dumping duty notice, is that the material injury suffered by the Australian industry was caused by dumping. This issue is considered in the following sections.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused by dumped goods are set out in section 269TAE.

5.2.2 Background

With the exception of Guangdong Jiangsheng and Guangdong Zhongya, Chinese exporters of aluminium extrusions are currently subject to anti-dumping measures.¹⁰ Aluminium micro-extrusions are a subset of aluminium extrusions. Accordingly, all Chinese exporters of the goods, other than the two specified exporters, are already subject to measures in respect of their exports of the goods to Australia.

This application applies only to the exports of the goods by Guangdong Jiangsheng and Guangdong Zhongya. Any analysis of causation of injury must therefore only consider the exports of the goods by these two exporters.

5.3 The Applicant’s claims

The table below summarises the causation claims of AluShapes.

Injury caused by dumping
<p><u>Volume effects</u></p> <ul style="list-style-type: none"> • Reduced sales volumes due to price undercutting, in the context of a growing market. • A clear correlation between the decline in the market share for the Australian industry and the increase in imports from the subject exporters. <p><u>Price effects</u></p> <ul style="list-style-type: none"> • A need to reduce pricing in response to lower price offers from the subject exporters in order to maintain business. • A reduction in revenue because of lower prices and sales volumes. • An inability to increase selling prices to sufficiently counter rising costs. <p><u>Profit effects</u></p> <ul style="list-style-type: none"> • Downward pressure on price and sales volumes has directly impacted profit and profitability.

¹⁰ The *Dumping Commodity Register* for [aluminium extrusions](#) refers.

Injury caused by other factors
<ul style="list-style-type: none"> AluShapes claims there has been an approximate 30 per cent increase in electricity costs between 2016 and 2019. However, it has not been able to pass this increase on to its customers as a result of dumped imports of the goods.

Table 11– AluShapes’ causation claims

5.4 The Commission’s assessment

5.4.1 Volume effects

As discussed in chapter 4.5.2, the import volumes of these two exporters make up a significant proportion of the Australian market. Given the identifiable decrease in particular between FY18 and FY19 in AluShapes’ sales volume and domestic market share (as discussed in chapters 4.5.1 and 4.5.2), the Commission considers that the volume of imports from China by Guangdong Jiangsheng and Guangdong Zhongya are substantial enough to have impacted the Australian industry’s sales. The Commission also observed that the volume of imports from Guangdong Jiangsheng and Guangdong Zhongya has increased in the second half of 2019. Consequently, there appear to be reasonable grounds, at this time, to support AluShapes’ claim that dumped goods imported in increasing volumes have caused material injury to the Australian industry in the form of reduced sales volumes and market share.

The Commission will further assess the causal relationship between the volume effects and allegedly dumped imports during the course of the investigation, including a more detailed assessment of lost sale claims and any other lost sales.

5.4.2 Export price analysis

AluShapes claims that Chinese exporters introduced flat pricing (in dollar per kg terms) for marketing expediency. This involves selling at the same price per kilogram across the range of aluminium extrusions from very small to large profiles, which greatly simplified their offer to the Australian market.

The impact on the Australian industry was that the previously established ‘cost-plus’ pricing practices, where pricing was related to the cost of production (generally, the larger the profile, the lower the cost by weight), was no longer competitive. Small profiles, when ‘cost-plus’ priced, were higher priced than larger profiles, as smaller profiles involve a slower extrusion process (i.e. less kilograms per hour of production).

To remain competitive, the Australian industry has also adopted flat-pricing, which has meant that for small profiles and aluminium micro-extrusions, its selling prices were no longer able to cover the cost of their manufacture in Australia.

AluShapes claims that flat pricing by Chinese exporters cross-subsidises the production of its small extrusions (by taking profits on large profiles) and results in the effective dumping of extrusions at the small and micro-extrusion end of the range.

The Commission has conducted a comparative analysis of the export pricing for both Guangdong Jiangsheng and Guangdong Zhongya in relation to other Chinese exporters using data from the ABF import database. The Commission’s assessment of export price is provided at **Confidential Attachment 4**.

Given Guangdong Jiangsheng and Guangdong Zhongya have substantial market shares, AluShapes’ claim that imports from Guangdong Jiangsheng and Guangdong Zhongya are materially affecting the Australian industry prices appears reasonable.

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The Commission was not able to identify and distinguish between the sizes of extrusion profiles (large, small or micro) in the ABF import database. During the course of the investigation, the Commission anticipates that it will obtain more detailed information to enable a more precise comparison of export prices.

5.4.3 Price undercutting

Price undercutting occurs when the imported goods are sold at a price below that of the Australian industry.

AluShapes has provided five examples (in its application) of claims that it has lost business as a result of price undercutting by Chinese exporters. In addition, AluShapes provided information regarding its experience of price undercutting. In each example, prices offered by AluShapes at which it could sell the goods were found to be uncompetitive with imports from China by Guangdong Jiangsheng and Guangdong Zhongya. The examples provided are based on AluShapes' own experiences within the Australian market for the goods.

The Commission has noted at chapter 4.6 of this report, that AluShapes' unit selling prices have fluctuated throughout the entire injury period and that its CTMS is higher than the price at which the goods are sold throughout the entire injury period, indicating that AluShapes is making a loss on its sale of the goods.

During the course of the investigation, the Commission anticipates that it will obtain more detailed information to allow for a more precise comparison of export prices to the Australian industry's prices. Based on the information provided by AluShapes, the Commission considers that there appear to be reasonable grounds to support its claim that the imports from by Guangdong Jiangsheng and Guangdong Zhongya have caused injury to the Australian industry in the form of price suppression. The Commission therefore considers that it is reasonable to conclude that the price pressures caused by the imports appear to have prevented the Australian industry from increasing prices sufficiently to counter rising costs.

5.4.4 Profit and profitability effects

As described at chapter 4.7 of this report, AluShapes has been incurring losses over the analysis period.

The Commission considers that there appear to be reasonable grounds to support AluShapes' claim that the imports from Guangdong Jiangsheng and Guangdong Zhongya have caused injury to the Australian industry in the form of loss of sales volumes and market share. Furthermore, there appear to be reasonable grounds to conclude that the imports from Guangdong Jiangsheng and Guangdong Zhongya have caused injury to the Australian industry in the form of price suppression.

Given that profit is a function of sales volume and profit margin, the Commission also considers that there appear to be reasonable grounds to support AluShapes' claim that the imports from Guangdong Jiangsheng and Guangdong Zhongya have also caused injury to the Australian industry in the form of reduced profit and reduced profitability.

5.4.5 Other factors

In its application, AluShapes claims that higher electricity costs contributed to the material injury it has experienced. The Commission will review the market for the goods (and like goods) during the injury analysis period and investigate any other factors that may have affected the Australian industry.

5.5 Is injury from dumping material?

Noting that other factors are likely to influence the economic condition of the Australian industry (as discussed in sections above), the Direction provides that injury from dumping need not be the sole cause of injury to the industry, but the injury caused by dumping must be material in degree.

In making this assessment, the Direction further provides that the materiality of injury caused by a given degree of dumping can be judged differently, depending on the economic condition of the Australian industry experiencing the injury. As such, in considering the circumstances of each case, the Commission must consider whether an industry that at one point in time is healthy and could shrug off the effects of the presence of dumped products in the market, could at another time, weakened by other events, suffer material injury from the same amount and degree of dumping. Based on information available at this time, the Commission considers it is reasonable to find that increasing electricity costs have likely weakened the Australian industry during the 2018/19 period, making it potentially more vulnerable to injury from dumped imports. Taking this into account, the Commission considers that, even having regard for higher electricity prices there, nonetheless, appear to be reasonable grounds to support that the Australian industry has suffered material injury caused by dumping.

5.6 Conclusion

The Commission considers that:

- the magnitude of the dumping indicated in the Commission's calculation;
- the preliminary assessment of reduced sales and production volumes;
- the preliminary assessment of price suppression; and
- the preliminary assessment of reduced profit and profitability

support a claim that there appear to be reasonable grounds that dumping of aluminium micro-extrusions exported from China by Guangdong Jiangsheng and Guangdong Zhongya have caused material injury to the Australian industry.

6 APPENDICES AND ATTACHMENTS

Attachments	Title
Non-Confidential Attachment 1	Public notice of initiation (ADN No. 2020/013)
Confidential Attachment 2	Market and injury analysis
Confidential Attachment 3	Export prices
Confidential Attachment 4	Normal values
Confidential Attachment 5	Dumping Margins