



Australian Industry Verification Report

Verification & Case Details

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Case	Aluminium Extrusions - Continuation - China - Capral Limited		
Case Number	543		
Australian Industry	Capral Ltd		
Verification from	10/03/2020	to	13/03/2020
Inquiry 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

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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. ADNs 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 for the purposes of the inquiry.

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 extrusions process in different stages of production was observed. Capral's Penrith operation is used to produce and pack mill finished extrusions so the manufacturing processes observed were limited to that product. The verification of Capral's sale and product 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 major production stages that, in addition to the extrusion process itself, also includes paint and anodising facilities. The information available to the Commission through prior investigations has been utilised to augment the information available to the current inquiry.

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 utilised third party organisations to perform certain surface finishing processes 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

In its application Capral cites seven other Australian industry members who are considered producers of like goods. Based on production information detailed in letters of support provided by these industry members, the Commission understands that Capral is the largest domestic manufacturer of aluminium extrusions and makes up a major proportion of the total Australian market for aluminium extrusions.

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. In connection is a sub-group of entities who support the 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. As a result the Australian industry producing like goods is further supported by the broader aluminium industry by its production of aluminium billet which is sourced from a mixture of suppliers 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 the product is classified as a mill finished like good. Depending on production orders the extrusions are prepared for packing and dispatched or sent to the anodising or painting facilities to undergo further surface treatment.

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 produced at this stage is known to vary across the industry however by Capral's explanation during the visit, 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 or can also arise due to quality issues which cause a small proportion of goods to be returned by customers.

3.2 Like goods

The goods subject to the anti-dumping measures and this inquiry are:

Aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents),

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with the finish being as extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5 mm., with a maximum weight per metre of 27 kilograms and a profile or cross-section which fits within a circle having a diameter of 421 mm.

The goods include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.

The goods subject to the anti-dumping measures do not include intermediate or finished products that are processed or fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.

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 assessing like goods, physical likeness, commercial likeness, functional likeness and production likeness are characteristics tested. It is noted that the 'like goods' assessment has previously been established in past investigations regarding aluminium extrusions and this case is consistent with those findings.

The verification team considers that the goods manufactured by Capral have characteristics closely resembling the goods under consideration exported to Australia, on the basis that:

- the aluminium extrusions produced by Capral are considered to be physically like to the goods as they have dimensions and are of aluminium alloys as specified in the goods descriptions and are produced with the same or similar surface finishes, i.e. mill, painted and anodised;
- the aluminium extrusions produced by Capral are manufactured using processes that are identical or closely resembling to the processes used to produce the goods;
- the aluminium extrusions sold by Capral on the Australian market are considered commercially like to the goods as 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, and 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;
- the aluminium extrusions sold by Capral on the Australian market are considered functionally like to the goods as they have similar or identical end uses, e.g. 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

Based on previous cases conducted by the Commission in relation to aluminium extrusion exports the following MCC structure has been developed for the purposes of this inquiry. Anti-Dumping Notice No. 2020/17 refers.

Category	Sub-category		Sales data	Cost data
Finish	A	Anodise	Mandatory	Mandatory
	BD	Bright dip		
	M	Mill		
	PC	Powder coating		
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

In Capral's data for sales of like goods during the inquiry period it provided both mandatory and optional specification data which accorded with the proposed MCC structure in Table 1.

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.

Capral sold like goods with the following MCCs during the inquiry 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

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Mill Finish	Painted	Anodised
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:

- aluminium extrusions manufactured by Capral are like to the goods;³
- the like goods were wholly manufactured in Australia by Capral;⁴ and
- there is an Australian industry which produce like goods in Australia.⁵

³ Section 269T(1).

⁴ Section 269T(2).

⁵ 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 application 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 extrusions imported 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 in which this can occur will differ in terms of cost, lead time and management of production quality.

4.2 Market structure

The market structure for like goods 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.⁶

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 the main market segments are:

- residential - including products such as windows and doors, security, internal fit out of showers and robes, external fit out, and fencing;
- commercial - including commercial window and doors, internal and external fit out, and curtain walls; and

⁶ 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.

- 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 are produced for various markets within Australia. In Capral's case it 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 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 utilise its aluminium extrusion profiles and 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 depending on the sales channel 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. However, Capral will and 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 and was not provided with any information that indicated other causative factors.

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 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-res high rise segment and to a lesser extent the detached housing segment.

However, in other industry sectors which utilise like goods, Capral provided data which indicated an increase in the transport sector in relation to the volume of truck and van builds which 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 however in 2019 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).

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

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 available publically.

Capral also mentioned that the frequency of price information contained in unsolicited offers from traders or aluminium extrusions mills located outside of Australia are increasingly being received via email and through social media platforms.

4.4 Market size

4.4.1 Initial Application Data

In its application Capral relied on the following to estimate the size of the Australian market for aluminium extrusions:

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

Having regard to Capral's estimation the Australian market was considered to have increased over the injury analysis period.

4.4.2 Verification assessment

The data relied on by Capral in its application related to an injury analysis period from 1 January 2016 to 31 December 2019. For the purpose of considering its claims, the information in its applications was considered suitable. Both investigations 540 and 541, as well as this continuation inquiry, will be conducted based on the same injury analysis period, i.e. will be assessed from 1 January 2016.

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. The data from the ABF was used in place of ABS data as ABF data contains a greater level of information to enable a more reliable analysis of imports to be undertaken. The ABF data is available to the Commission but is not available to Capral.

Shown in the table below is the variation in the index of the Australian market size for the period calendar year 2016 to 2019. The Australian market increased by five percentage points in 2019 compared to the base year of 2016 however with a slowing of growth in 2019.

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

Table 3 – Index of Australian Market Size Variation

4.5 Market share

Despite the market having increased in the 2016 to 2019 period, analysis of the Australian market by country of origin shows that the share of the Australian market is increasingly comprised of aluminium extrusions from overseas. At the same time, the size of the market supplied by Australian aluminium extrusion producers has declined.

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The change in market share of goods imported from China increased between 2016 and 2018, with a reduction in 2019.

Period	2016	2017	2018	2019
Australia	100	98	92	89
All imports	100	104	115	121
Imports from China	100	119	136	132

Table 4 – 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 submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and 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 listing by reconciling it to audited financial statements in accordance with the Commission's verification practices and procedures outlined in ADN. No 2016/30.

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

- comparing revenue for domestic like goods sales reported in Capral's application at Appendix A3 and A4 to the accounts in its general ledger relevant to the inquiry period and the injury analysis period;
- reconciling the figures for like goods sales revenue in its general ledger accounts to the 2019⁷ financial year audited financial statement;
- 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 application to ensure like goods sales were within the scope of the description of the goods under consideration; and
- having regard to sales of goods to external customers and intra-company transactions relation to stock movements.

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**.

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 inquiry period.	Capral resubmitted its appendix A4 data to align with the correct inquiry 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 application was not a full representation of all like goods sales	Capral resubmitted its appendix A3 data which aligned with the correct injury analysis period and reported the correct

⁷ Capral's financial year is 1 January to 31 December.

No.	Exception	Resolution
	revenue and did not align with the injury analysis period.	like sales revenue and volume by finish type through each relevant sales channel.

Table 5 - Exceptions during verification of completeness and relevance of sales data

5.2 Import sales by applicant

Capral reported sales of like goods that were the result of imports from suppliers overseas. Imported goods were reported separately from Australian produced like goods sales. The verification team also compared the quantity of imported like goods sales to information in the ABF import database and found the quantity which was imported corresponded with the sales quantity 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 application, the verification team is satisfied that the sales data provided by Capral is complete and relevant.

The like goods sales data relevant to the inquiry period and injury period, as amended, is provided at **Confidential Appendices 1, 2 and 3**.

6 VERIFICATION OF SALES ACCURACY

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 sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the Australian sales listing submitted with the application by reconciling it 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 sales and production of aluminium extrusions in the period 1 January 2016 to 31 December 2019.

The like goods sales data relevant to the inquiry period and injury period, as amended, is provided at **Confidential Appendices 1, 2 and 3**.

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 have been 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 in the application by reconciling it to audited financial statements in accordance with the Commissions practices and procedures outlined in ADN No. 2016/30.

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

- comparing the production costs reported in relation to like goods produced for the Australian market reported in Capral's application at Appendix A6 to the accounts in its general ledger relevant to the inquiry period and the injury analysis period;
- reconciling the figures for like goods production costs in the general ledger accounts to 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 goods to external customers and intra-company transactions relation to stock movements.

The verification team verified the relevance and completeness of the SG&A data as follows:

- comparing the SG&A costs reported in relation to like goods sold on the Australian market reported in Capral's application at Appendix A6 to the accounts in its general ledger relevant to the inquiry period and the injury analysis period;
- reconciling the SG&A costs reported in relation to like goods sales to the 2019 financial year audited financial statement;
- 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 application was not a full representation of all like goods sales	Capral resubmitted its appendix A6 data to align with the correct inquiry period and provided a supplementary appendix A6 in

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No.	Exception	Resolution
	revenue and did not align with the inquiry period.	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 application 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 6 - 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 application, 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 below outlines 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, e.g. plant and equipment specific to certain finish types.

Table 7 - Cost calculation method

8.2 Exceptions during verification of CTMS allocation method

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**.

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 8 - 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 by reconciling it 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**.

8.4 Related party suppliers

During an examination of the data relating to Capral's 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.

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

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

9 ECONOMIC CONDITION

9.1 Applicant’s injury claims

Capral claimed in its application that the Australian industry is susceptible to further material injury from dumping due to the deterioration in:

- domestic production and sales volumes;
- depressed and suppressed selling prices;
- reduced profit and profitability;
- reduced attractiveness to reinvest; and
- closure of manufacturing assets across select sites.

Capral asserted that Chinese exporters have continued to export at dumped and injurious prices throughout the duration of the measures and that if measures should be allowed to expire the Australian market would be targeted by Chinese exporters to sell increased volumes to the detriment of the Australian industry.

9.2 Approach to injury analysis

The injury analysis detailed in this chapter is based on:

- the applicant’s verified sales data;
- the applicant’s verified CTMS data;
- the applicant’s verified other injury factors data; and
- data from the ABF import database.

The verification team has focused its examination on the calendar year periods following the previous continuation of measures on 28 October 2015, which is calendar year 2016 to 2019 inclusive.

9.3 Volume effects

9.3.1 Sales volume

Table 95 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.

Period	2016	2017	2018	2019
All Finishes	100	98	92	85

Table 95 – Capral Like Goods Index of Sales Volume Variation

In contrast to the above, the estimated trend in the Australian market at Table 6 suggests a steady growth in the market for aluminium extrusions across the injury analysis period.

Period	2016	2017	2018	2019
All finishes	100	101	104	105

Table 6 –Index of Australian Market Size Variation by finish type

9.3.2 Market share

Table 7 below shows that the market share of sales held by Australian industry has decreased in each consecutive year of the injury analysis period while the market share of imports from China rose during the period 2016 to 2018 before declining in 2019.

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

Table 7 – Index of Australian Market Share Variation by origin

The available data indicates that since 2016 Capral has experienced a reduction in market share in each consecutive year.

9.3.3 Conclusion – volume effects

Based on the available information the verification team considers it reasonable that Capral has experienced injury in the form of reduced sales volume and market share during the injury analysis period.

9.4 Price effects

9.4.1 Like Goods CTMS

Table 8 shows the change in the CTMS over the injury analysis period. The data shows that the CTMS has increased generally however with a slowing in 2019.

Period	2016	2017	2018	2019
All Finishes	100	107	115	116

Table 8 - Like Goods Index of CTMS

9.4.2 Like Goods Unit Selling Price

Table 9 shows that Capral experienced a decline in unit selling prices in 2019 after increasing to a three year high in 2018.

Period	2016	2017	2018	2019
All Finishes	100	106	113	111

Table 9 - Like Goods Index Unit Selling price

9.4.3 Price depression

Price depression occurs when a company, for some reason, lowers its prices.

As indicated in Table 9 above, Capral’s unit sales price increased over the period from 2016 to 2018, however declined in 2019. The verification team considers that this decline in 2019 is indicative of price depression.

9.4.4 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.

Table 10 below shows a comparison between the index of variation in unit CTMS and unit selling price over the injury analysis period.

Period	2016	2017	2018	2019
CTMS all finishes	100	107	115	116
Selling Price all finishes	100	106	113	111

Table 10 – Index of CTMS and Price Variation

These trends are represented graphically in Figure 1 below:

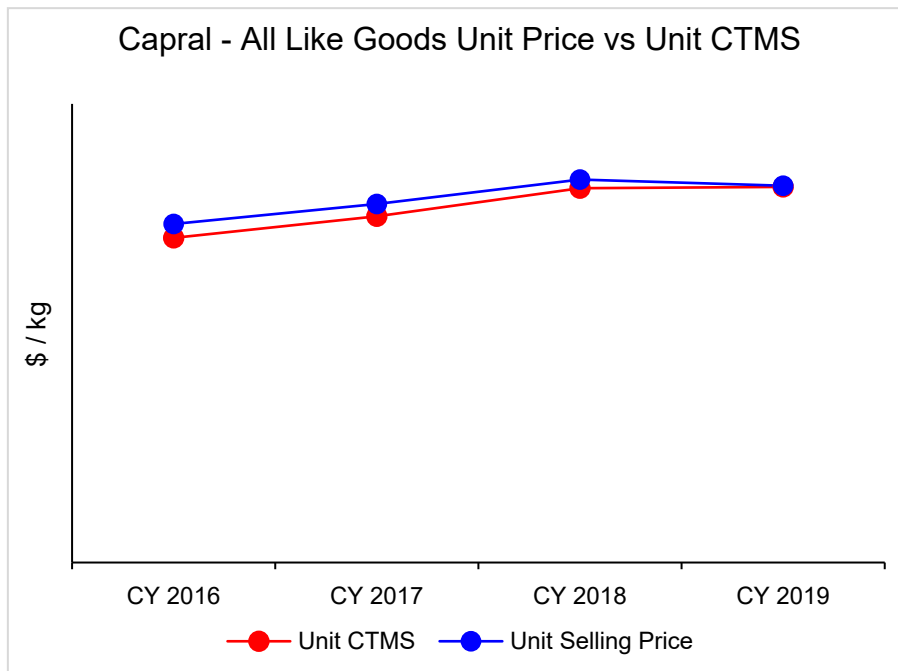


Figure 1 – Unit Price and Unit CTMS Comparison

The verification team observes that over the injury analysis period the rate of increase in the prices for like goods was less than the rate of increase in CTMS, and further that the price of like goods generally reduced in 2019 whilst CTMS continued to increase.

9.4.5 Conclusion – price effects

Based on the available information the verification team considers it reasonable to conclude that Capral has experienced injury in the form of price depression and price suppression during the injury analysis period.

9.5 Profit and profitability

9.5.1 Like Goods Unit Profit Margin

Table 9 shows that Capral experienced a decline in unit profit margin each year throughout the injury analysis period, with the most pronounced decline in 2019.

Period	2016	2017	2018	2019
All Finishes	100	81	56	6

Table 11 - Like Goods Index of Unit Profit Margin Variation

9.5.2 Like Goods Profitability

Table 9 shows that Capral experienced a decline in profitability each year throughout the injury analysis period, with the most pronounced decline in 2019.

Period	2016	2017	2018	2019
All Finishes	100	77	50	5

Table 12 - Like Goods Index of Profitability Variation

Error! Reference source not found. below plots the movement in profit and unit profitability of Capral’s sales of like goods.

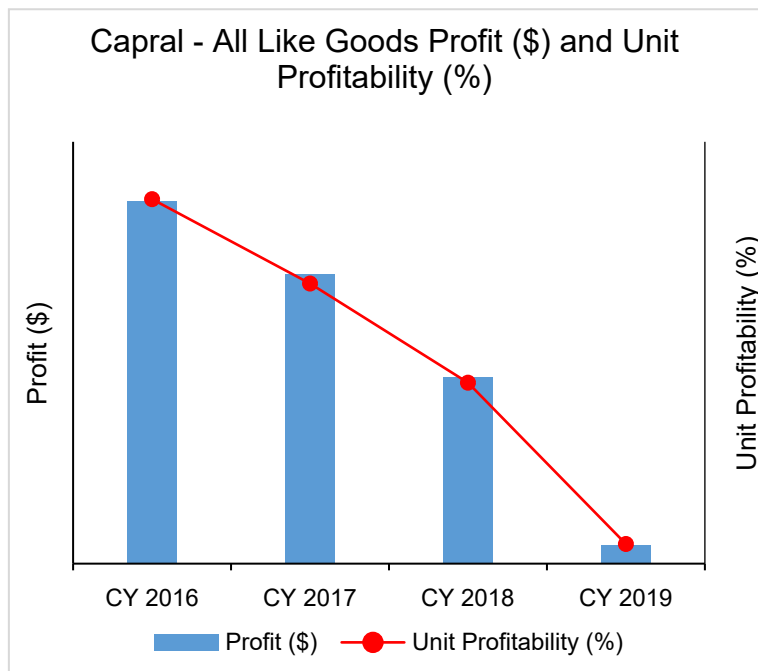


Figure 2 – Profit and Profitability

9.5.3 Conclusion – profit and profitability

Based on the available information the verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced profit and profitability during the injury analysis period.

9.6 Other economic factors

9.6.1 Production Volume

Table 13 shows that Capral experienced a decline in production volume over the injury analysis period.

Period	2016	2017	2018	2019
All Finishes	100	98	91	84

Table 13 – Like Goods Index of Production Volume Variation

The verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced production during the injury analysis period.

9.6.2 Revenue

Table 918 shows that Capral experienced an increase in revenue over the period 2016 to 2018, however has suffered a reduction in revenue in 2019 to a level below that achieved in 2016.

Period	2016	2017	2018	2019
All Finishes	100	104	104	95

Table 14 – Like Goods Index of Sales Revenue Variation

The verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced sales revenue in 2019.

9.6.3 Return on investment

Return on Investment (ROI) in Capral’s application was based on profit earned on like goods sales and the value of assets deployed in the production of like goods.

Table 9 below shows that Capral experienced a decline in ROI each year throughout the injury analysis period, with the most pronounced decline in 2019.

Period	2016	2017	2018	2019
All Finishes	100	84	54	6

Table 15 - Like Goods Index of ROI Variation

The verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced ROI during the injury analysis period.

9.6.4 Capacity Utilisation

Table 95 below shows that Capral experienced a reduction in capacity utilisation in relation to the production of mill finished extrusions in each year.

Period	2016	2017	2018	2019
Extrusion (Mill)	100	98	91	84

Table 20 - Like Goods Index of Capacity Utilisation Variation

The verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced capacity utilisation during the injury analysis period.

9.6.5 Employment numbers

Table 9 shows that with the exception of 2017, Capral has experienced a decline in its workforce employed in the production of aluminium extrusions.

Period	2016	2017	2018	2019
All finishes	100	101	94	81

Table 21 – Like Goods Index of Employment Numbers Variation

As part of the verification process, it was established that during 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 application.⁸

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 to conclude that Capral has suffered injury in the form of reduced employment numbers during the injury analysis period.

9.6.6 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 during 2019 when it was required to reduce its workforce in response to what it stated were more challenging market conditions.

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

⁸ Capral Application Investigation 541, p.33, Case 541 Public Record Item No.001

conclude that Capral has experienced injury in the form of reduced wages during the injury analysis period.

9.6.7 Conclusion – other economic factors

Based on the available information the verification team considers it reasonable to conclude that Capral has experienced injury in the form of reduced:

- production;
- revenue;
- ROI;
- capacity utilisation;
- employment; and
- wages.

9.7 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 market for the goods..

9.7.1 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.

9.7.2 Imports from other countries

As detailed in section 9.3.2 above, imports from countries other than China have increased over the injury analysis period.

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

9.8 Conclusion

Based on an analysis of the information provided in the application and verified during and after the visit, the verification team is satisfied that the applicant has experienced injury during the injury analysis period in the form of:

- reduced sales volume;
- reduced market share;
- price depression;
- price suppression;
- reduced profit and profitability;
- production;
- revenue;
- ROI;
- capacity utilisation;
- employment; and
- wages.

PUBLIC RECORD

The verification team's injury analysis is contained at **Confidential Appendix 4**.

10 CAUSAL LINK CLAIMS

10.1 Background and approach to causal link analysis

Under the terms of subsection 269ZHF(2) of the Act, in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping or subsidisation; and
- the material injury that the anti-dumping measures are intended to prevent.

The verification team discussed with Capral whether the alleged dumping and subsidisation of imported aluminium extrusions can be demonstrated to be causing material injury to the Australian industry.

The verification team also examined factors other than dumping and subsidisation, such as changing demand within the building sector, to consider whether these may be causing injury.

10.1 Continuation or recurrence of dumping and subsidisation

Capral submits that if the measures are not continued, the lower price of exports from Chinese manufacturers currently subject to measures would lead to an increase in export volumes to Australia, resulting in a continuation of material injury in the form of lost sales volumes, reduced profits and profitability and price depression and price suppression.

As part of its application Capral provided estimates of export prices up until September 2019 based on ABS data, and estimates of normal values up until December 2019 based on the constructed cost methodology employed by the Commission in the most recent review of measures. On the basis of the information provided, for those quarters where export and normal value estimates coincided, dumping was evident.

Capral further submitted that the Government of China continues to provide significant subsidies to the Chinese aluminium industry that influences selling prices for aluminium extrusions such that they are lower than they otherwise would be. Capral referenced an edition of Steelguru published on 17 January 2020 in support of this claim, as well as noting that the Commission reviewed 66 subsidy programs in the most recent review of measures.

During the course of the inquiry the Commission will assess the level of dumping and subsidisation relating to the goods exported to Australia during the inquiry period by relying on questionnaire responses received from cooperating selected exporters, the Government of China and all other relevant information.

10.2 Continuation or recurrence of material injury

10.2.1 Chinese manufacturing capacity

In its application, the applicant submitted that there exists excess manufacturing capacity in China to produce the goods. The verification team considers that capacity of Chinese manufacturers to export further volumes of the goods to Australia is a relevant consideration in determining the likelihood of increased export volumes.

An analysis of Chinese manufacturing capacity will be undertaken in the Statement of Essential Facts following exporter verification.

10.2.2 Distribution links in Australia

As part of its consideration of the application, the Commission examined information obtained from the ABF import database and found that exporters from China have continued to export the goods to Australia since the imposition of the measures. The Commission observed China continues to be a major source of the goods compared to other countries.

The Commission also observed that, based on ABF data, certain exporters of the goods from China have continued trading with the same Australian importers since measures were imposed.

To further highlight the continued trade flow of the goods from China, the Commission notes that since the measures were continued in 2015:

- eleven Chinese manufacturers have sought accelerated reviews; and
- the Commission received a high level of participation from Chinese exporters in the most recent review of measures.

The Commission considered that the abovementioned reviews and the existing long standing supplier relationships are indicative of exports from China to Australia continuing in the future.

A further analysis of importer supply chains will be undertaken in the Statement of Essential Facts following importer verification.

10.2.3 Selling prices

Capral claims that in order remain competitive and maintain its sales volume and market share it has found it necessary to reduce its prices.

During the verification visit, Capral explained that the price of the goods and like goods is the major driver of customer choice. In the absence of measures, Capral contends that exporters would be more price competitive, which may result in further injury in the form of price depression and price suppression.

10.2.4 Trade remedy actions in other jurisdictions

Capral claims that trade remedy actions, in the form of continuations and safeguards, undertaken by other jurisdictions such as Canada and the United States of America, are supportive of its belief that should the measures be allowed to expire in relation to Australia exports of dumped goods to Australia may increase, resulting in the continuation of material injury to the Australian industry.

11 APPENDICES AND ATTACHMENTS

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