



Supplementary Importer Questionnaire

Case number: 543

Product: Aluminium Extrusions

From: The People's Republic of China (China)

Inquiry period: 1 January 2019 to 31 December 2019

Response due by: 26 May 2020

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

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

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Why you have been asked to complete this questionnaire

In the application from Capral Limited (Capral) received by the Commission on 24 January 2020 in respect of aluminium extrusions (the goods), it was claimed that a particular market situation exists with respect to the goods within China.

Capral has based its claim that a particular market situation exists within China primarily on previous findings by the Commission. The application specifically refers to findings relating to Government of China (GOC) influence in aluminium markets, aluminium being the key raw material used in the manufacture of aluminium extrusions.¹

Section 269TAC(1) of the *Customs Act 1901* (Cth) (the Act) provides that, subject to this section, the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

In addition, section 269TAC(2)(a)(ii) of the Act provides that, subject to this section, where the Minister is satisfied that because of the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1), the normal value of the goods exported to Australia cannot be ascertained under subsection (1).

As part of its investigation, the Commission will consider if a market situation exists in the aluminium extrusions market in China during the inquiry period. The Commission will also investigate whether any market situation, if found to exist, influences a comparison between export prices and normal values.

To undertake this assessment, the Commission is seeking further information from your company, as an importer of aluminium extrusions, about the Australian market and your company's role in the Australian market.

¹ See, for example, findings set out in *Anti-Dumping Commission Report Nos. 148, 241, 248, 287, 304, 392 and 482*.

Australian Market

Please return your responses no later than 26 May 2020.

A Prevailing conditions of competition in the Australian market

1. Describe the Australian market for aluminium extrusions (the goods) and the prevailing conditions of competition within the market, including:

(a) Provide an overall description of the market for the goods in Australia which explains its main characteristics and trends over the past five years;

The Australian market is heavily influenced by the disparity in imposed dumping measures. This is demonstrated by the larger Chinese exporters that are not subject to measures, whilst the remaining Chinese exporters that represent a small proportion of export volume remain subject to measures. Likewise, some smaller Malaysian exporters are subject to measures, whilst the vast majority larger exporters are free of measures. Imports from Indonesia, Thailand and New Zealand remain free of measures.

(b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product;

The main source of demand for extrusion products is the construction sector including fencing, windows, doors, etc.

(c) Describe the factors that influence consumption/demand in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

Construction activity would be a primary driver of demand in Australia.

(d) Describe the way in which Australian manufactured and other imported goods compete in the Australian market;

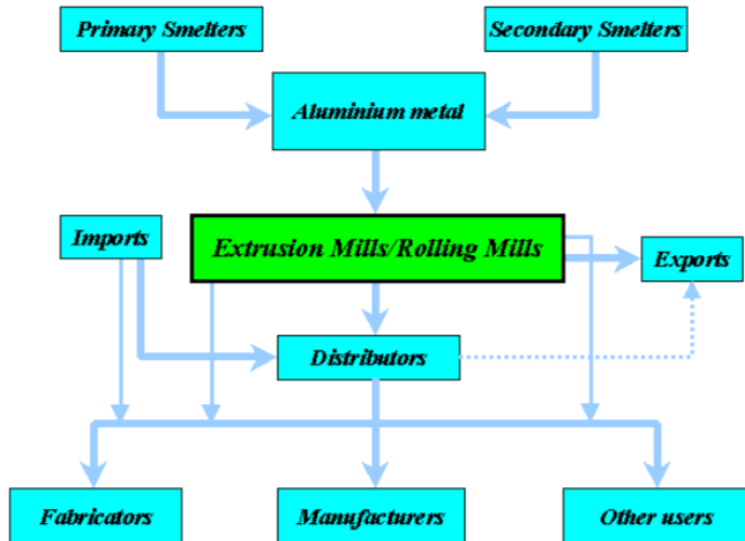
In so far as PAA's imports are concerned, there is [REDACTED] with the main bulk of PAA's imports. This is due to PAA's largest customers requiring [REDACTED] which are either unable to be manufactured locally, or local manufacturers are unwilling to produce the profiles. This stems from the limited presses available locally which are more targeted towards manufacturing the standard large volume profiles.

This is demonstrated by the [REDACTED], and yet [REDACTED].

2. Provide a diagram which describes the market for the goods in Australia, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.

The graph below is extracted from the latest dumping application by Capral and provides a general and simplified overview of the participants in the Australian market.

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3. Describe the commercially significant market participants in the market for the goods in Australia at each level of trade over the investigation period. Include in your description:

- names of the participants;
- the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), retailer, corporate stationer, importer, etc.);
- a description of the degree of integration (either vertical or horizontal) for each market participant; and
- an estimation of the market share of each participant.

As PAA supplies [REDACTED], details of the significant market participants are best addressed by other key suppliers. However, more generally, the Australian market is currently serviced by eight Australian extruders, as well as overseas extruders mainly from New Zealand & Asia. It is worth noting that the two largest exporters from China are exempt from measures, whilst Indonesian and the majority of Malaysian exporters are also exempt from measures.

4. Identify the names of commercially significant importers in the market for the goods in Australia over the investigation period and estimate their market share. Specify the country each importer imports from and their level of trade in the Australian market, if known.

PAA is unaware of the import volumes for individual importers. However, there are known large importers that source from exporters that are not subject to measures in China and Malaysia. The identities of these importers would be known to the Commission by reviewing the Customs import database.

5. Describe the regulatory framework of the market for the goods in Australia as it relates to competition policy, taxation, product standards and the range of the goods. Provide a copy of any regulation described, if available.

PAA is not aware of any entry restrictions other than the excessive duty levels.

6. Describe any entry restrictions for new participants into the market for the goods in Australia. Your response could include information on:

- resource ownership;

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- patents and copyrights;
- licenses;
- barriers to entry;
- Import restrictions; and
- government regulations (including the effect of those government regulations).

In responding to question 6 ensure that relevant regulations are referenced.

PAA is not aware of any entry restrictions other than the excessive duty levels.

B Products in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. The description should include all goods under consideration including those produced by your company. Your description could include information about:

- quality differences;
- price differences;
- supply/availability differences;
- technical support differences;
- the prevalence of private labels/customer brands;
- the prevalence of generic or plain labels;
- the prevalence of premium labels; and
- product segmentation.

The Australian market is supplied by the full range of finishes including mill, powder coated and anodised in predominantly the 6000 series alloys. Within the range of extruded profiles, there are standard or generic shapes/profiles and customer profiles. Standard profiles are produced widely by local and exporters and represent the majority of extrusions supplied to the market. Custom profiles are non-standard shapes typically designed specifically for the customer's end-use fabricated application. Within the custom range, there are simple and complex custom profiles, with complex profiles involving tighter tolerances, thinner walls and smaller sizes.

In terms of the characteristics of the goods, prices will generally differ according to the finish, alloy, standard vs custom profile, and simple vs complex profiles.

A key aspect of the Australian market is the inability and/or unwillingness of local producers to make and supply custom profiles required by customers. This is a function of the limited available extruding lines that impacts on existing production. For this reason, custom profiles tend to be supplied by exporters as they generally have multiple extruding lines catering to different size profiles.

2. Describe the end uses of the goods in the Australian market from all sources.

The construction sector still generates most of the demand, with aluminium extrusions being widely used in transport, marine, office fit-outs, home improvement and other industrial applications.

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influencers in order of importance.

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As far as PAA's sales are concerned, its extrusions are mainly [REDACTED] which are generally complex to manufacture due to their [REDACTED]. So the first priority for a customer of these types of goods, is to identify a manufacturer that is willing and able to take the time to produce such products. In addition, these type of customers are also seeking to work collaboratively with the supplier during the [REDACTED] [REDACTED]. Price is not the most important factor, as demonstrated by [REDACTED].

4. Identify if there are any commercially significant market substitutes in the market for the goods in Australia.

Not applicable.

5. Identify if there are any commercially significant market complements in the market for the goods in Australia.

Not applicable.

6. Have there been any changes in market or consumer preferences in the market for the goods in Australia in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Not applicable.

C Relationship between price and cost in Australia

1. Describe the importance of the Australian market to your company's operations. In your response describe:
- (a) The proportion of your company's sales revenue derived from sales of the goods in Australia; and
 - (b) The proportion of your company's profit derived from sales of the goods in Australia.

In responding to question 1 please provide evidence supporting calculations.

PAA sells almost exclusively on the domestic market in Australia, therefore the vast majority of revenue and profit is derived from sales of the goods or fabricated goods.

2. Is your organisation/business entity the price leader of the goods in the Australian market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

No. As the Commission can easily verify, PAA's prices do not reflect its position as a price leader. In fact, the imposition of dumping and countervailing duties has forced PAA's prices [REDACTED]. The price leaders in the market are:

- Capral's imports from China, Indonesia, etc.
- [REDACTED] imports from [REDACTED];
- [REDACTED] imports from [REDACTED];
- Imports by other local producers from Malaysia, Thailand and Indonesia.

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- 3. Describe the nature of your pricing for the goods (e.g. market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

PAA positions itself as a supplier committed to offering quality, reliability and extra-customer services such as [REDACTED], which other suppliers are unwilling to do. This is demonstrated by the fact that customers [REDACTED].

- 4. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined.

Prices take into account the raw material cost, the manufacturing cost, plus the logistic cost & other factors decide the price of an extrusion profile. The most common method used in the Australian market for pricing extrusions is monthly LME based: LME (M-1) Ave Price + Spread.

The spread can vary from customer to customer, as the extruders usually determine the spreads to individual customers depending on the complexity of the profile. The spreads offered by the local extruders are between A\$ [REDACTED]-A\$ [REDACTED] per kg. Attached is a copy of an offer we obtained from [REDACTED] (the [REDACTED] extruder in the country), which explains how the price is calculated.

[REDACTED] quoted the spread of A\$ [REDACTED] / kg to PAA. So to calculate the market price for May 2020

1. (M-1) 3mth LME Buyer Price Average	USD/MT	\$ [REDACTED] +
2. Q2'2020 MJP	USD/MT	\$ [REDACTED] =
3. Metal Base Price (USD)	USD/MT	\$ [REDACTED]
4. Ave Exchange (M-1) AUD/USD		[REDACTED]
5. Metal Base Price (AUD)	AUD/MT or AUD/Kg	\$ [REDACTED]
6. Spread	AUD/Kg	\$ [REDACTED]
7. Extrusion Base Price May'20	AUD/Kg	\$ [REDACTED]

PanAsia [REDACTED]
[REDACTED]
[REDACTED] . PanAsia [REDACTED]
[REDACTED].

- 5. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

Prices are reviewed with any significant change in costs or expenses. For example, PAA has [REDACTED].

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6. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- [REDACTED];
- [REDACTED];
- [REDACTED];

As noted earlier, PAA's customers are [REDACTED].

7. Describe the relationship between selling price and your costs in the Australian market. Does your company maintain a desired profit margin for the goods? If not, does your company seek to maintain a desired profit margin for the goods?

Cost of metal, manufacturing and into-store expenses have a direct bearing on actual selling price. PAA [REDACTED]. The margin is determined [REDACTED].

8. Do you offer price reductions (e.g. commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how your costs are considered in establishing these price reductions. Provide copies of internal documents which support your claims in response to this question.

[REDACTED].

9. Do you offer bundled pricing in the Australian market? If yes, explain how the pricing for bundled sales is determined. Explain how your costs for the goods are considered in establishing these bundled prices. Provide copies of internal documents which support your claims in response to this question.

[REDACTED].

10. Does the volume of sales to a customer or the size of an order influence the selling price? If yes, advise how volume is used to determine selling prices. Explain how your costs are considered in establishing volume based prices for the goods. Provide copies of internal documents which support your claims in response to this question.

[REDACTED].

11. Does your organisation/business entity use sales contracts in the Australian market? If yes:

- (a) What proportion of your sales revenue would come from contracted sales versus uncontracted sales?
- (b) Do you offer exclusivity contracts? If yes, what proportion of your sales revenue would come from exclusivity contracts?
- (c) How frequently are sales contracts renegotiated?
- (d) How frequently are price reviews conducted between contracts?
- (e) Do you provide opportunities for price reviews for customers within contracts? If yes, provide a description of the process and an explanation of the circumstances that might lead to a price review.

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- (f) Do changes in your costs enable you to review prices for customers within contracts?
- (g) Provide a list of the customers under contract during the investigation period and copies of the two largest contracts in terms of sales revenue. Provide a complete translation of the documents.

No.

- 12. Provide copies of any price lists for the goods used in the Australian market during the investigation period. If you do not use price lists, describe the transparency of your prices in the Australian market.

[REDACTED]. As the Australian market is predominantly priced according to “LME+spread”, prices are fairly transparent.

- 13. How do you differentiate pricing for different goods in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents which support your claims in response to this question.

Prices are set for each customer and profile taking into account [REDACTED].

- 14. Do you tier or segment your customers for the goods in terms of pricing? If yes, provide:
 - (a) a general description of how this is done;
 - (b) list the factors that influence pricing differentiation in different tiers or segments; and
 - (c) explain how your costs are considered in making pricing decisions for different tiers or segments.

No.

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15. Do you sell the goods to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide a copy of any internal document relevant to establishing pricing to related parties.

No. PAA does not sell extrusions to related parties in Australia.

D Marketing and sales support in the Australian market

1. How does your company market the goods in the Australian market? Include in your response the value proposition used (e.g., competitive price, superior quality, reliability, availability, etc.).

Despite the excessive dumping and countervailing duties imposed on PAA's imports, it is able to continue selling to [REDACTED]. PAA emphasises [REDACTED]. This includes:

- [REDACTED];
- [REDACTED];
- [REDACTED]; and
- [REDACTED].

2. Does your company conduct brand segmentation in the Australian market for the goods? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

Brand segmentation is not relevant to the Australian market.

3. Provide examples of your Australian advertising of the goods over the past five years. If you have not used advertising in Australia, provide examples of any other promotion campaigns for the goods you have conducted over the investigation period.

PAA does not advertise its products in the Australian market. Most local customers are aware of the products and specifications capable of being produced by Panasia China.

4. How many people are in your Australian sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents which support your claims in response to this question.

PAA has approximately [REDACTED] fulltime equivalent sales staff located in Sydney. Staff are remunerated through [REDACTED].

5. Describe what parameters are provided to sales staff to assist in establishing pricing for the goods when negotiating sales with customers. Provide copies of internal documents which support your claims in response to this question.

Sales staff are [REDACTED]. Prices are derived from [REDACTED], etc. Refer to our earlier response on the price setting mechanism.